

Bi-weekly Bulletin

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WORLD AND CANADIAN OUTLOOK FOR GRAINS AND OILSEEDS IN 2005-2006



World wheat and oilseed prices are expected to decrease in 2005-2006 due to increased supplies, relative to demand, in the world and the United States (US). However, world coarse grain prices are expected to increase, largely due to lower production in the US. For most of the major crops, domestic support programs in the US and the European Union (EU) are expected to continue to encourage production, which will pressure prices.

In western Canada, the area seeded to all wheat is expected to increase slightly as higher area seeded to spring wheat more-than offsets lower winter wheat area. The area seeded to coarse grains is expected to decrease slightly as lower barley and rye area more-than offsets higher oats area. The area seeded to oilseeds is expected to decrease marginally as lower canola area more-than offsets higher area seeded to flaxseed. Summerfallow area is expected to continue to decrease. In eastern Canada, marginal increases in the area seeded to corn and soybeans are expected to more-than offset lower area seeded to wheat.

Total Canadian production of grains and oilseeds is expected to decrease from about 64 million tonnes (Mt) to 61 Mt, largely due to lower expected yields in western Canada. Total exports of grains and oilseeds are projected to increase. Prices for wheat, durum and soybeans are expected to decrease, partly due to appreciation of the Canadian dollar relative to the US dollar, while coarse grain prices are generally expected to increase slightly.

The market outlook is tentative due to the high degree of uncertainty regarding global supply and demand conditions. Normal weather patterns have been assumed. Unusual weather conditions in any of the major importing or exporting countries could significantly alter the outlook. Exchange rates and ocean freight rates will be factors to watch in 2005-2006.

WHEAT

World wheat (including durum) area harvested for 2005-2006 is forecast by Agriculture and Agri-Food Canada (AAFC) to be relatively unchanged at 217 million hectares (Mha), close to the 5-year average, with a higher area in Canada, Australia, Ukraine and Iran offset by reduced area in the EU-25, Pakistan and India. Assuming normal growing conditions and average yields, production is forecast to decline by 8 Mt from the record 621 Mt produced in 2004-2005, to 613 Mt, largely due to lower yields in the EU-25 and Canada, from the above-normal crops of 2004-2005. Supplies will increase slightly, with higher carry-in stocks more than offsetting the lower production.

World wheat consumption is projected to decrease slightly from 2004-2005, mainly due to reduced feed use. Human food use of wheat is expected to be slightly above the 5-year average at 495 Mt,

while the use of wheat for animal feed is expected to decline by 2%, to about 107 Mt, due to reduced production of lower-quality wheat. World trade is expected to decrease marginally, to 105 Mt, versus the 5-year average of 109 Mt. Increased imports by China are expected to be offset by reduced imports in a number of other importing countries. World carry-out stocks are projected to increase by 7%, to 156 Mt, but remain well below the 5-year average of 183 Mt. Major exporter stocks, however, are forecast to rise by 8%, to 52 Mt, the highest since 2001-2002.

US winter wheat seeded area has decreased by 4% for 2005-2006, to 16.8 Mha, with most of the decline in soft red winter (SRW) wheat, due to wet seeding conditions that prevented all area from being planted. SRW wheat area is down by 19%, while hard red winter (HRW) is down by 1%, with soft white winter wheat 4% higher than last year. The seeded area of spring wheat

is forecast by AAFC to rise marginally, while durum area is expected to decline by 3%. Program payments under the Farm Security and Rural Investment Act (FSRIA) are expected to support higher area. Assuming normal abandonment, harvested area of all wheat is forecast to decrease by 2%, to 19.9 Mha. Production is forecast by AAFC to decrease marginally, to 58 Mt (about 2.13 billion bushels (Gbu)), assuming a trend yield of 43 bushels per acre (bu/ac). The SRW and HRW wheat crops are currently in above average condition, and above-trend yields are a possibility. Total wheat supplies are expected to increase marginally due to higher carry-in stocks.

EU-25 wheat production is forecast to fall by 5% from the record 2004-2005 crop, to 129 Mt, but remain well above the 5-year average of 121 Mt. Carry-in stocks are forecast to more than double, to 19.3 Mt. Exports are forecast to increase slightly, due to reduced export

competition, particularly from US SRW wheat, and the reintroduction of export subsidies. EU wheat carry-out stocks are expected to increase by 9%, to 21 Mt, the highest since the early 1990s.

DURUM

World

Durum production is forecast to decline by 8%, to 37 Mt, with decreased production in all major exporting countries, particularly Canada and the EU-25. Changes to durum payments under the new EU Common Agriculture Policy are expected to discourage durum production. Production in North Africa, the major durum importing region, is expected to decline by about 1 Mt, although that crop is currently in very good condition. The decreased production will be partly offset by higher major-exporter carry-in stocks, and world supplies (including major-exporter stocks only) are expected to be down by 4% at 41 Mt. Trade is forecast to increase by 10%, to 6.8 Mt, assuming a return to lower normal yields and increased import demand from North Africa, the major durum importing region. Carry-out stocks in the major exporting countries are forecast to fall by 14%, to 3.8 Mt.

PRICES: WHEAT AND DURUM

Although world wheat stocks are expected to rise only slightly, stocks in the five major wheat exporting countries, Canada, the US, the EU, Australia and Argentina, are forecast to increase by 8% by the end of 2005-2006. EU carry-out stocks are expected to rise by 9% to 21 Mt. US stocks are forecast to increase by 7% to about 17 Mt, and the US stock-to-use ratio will rise to 29%, from 27% in 2004-2005. As a result, world wheat prices are expected to decline in 2005-2006.

US Hard Winter Ordinary (HWO) wheat prices, free on board (FOB) US Gulf, are forecast to decline to about US\$140-150 per tonne (/t) for 2005-2006 (for the Canadian August-July crop year), compared to an estimated US\$150-160/t for 2004-2005, and US\$161/t in 2003-2004. The price for US Dark Northern Spring wheat with 14% protein (DNS 14), FOB Pacific Northwest, is forecast at US\$160-170/t, down by about US\$10/t from 2004-2005. Premiums for spring wheat on the Minneapolis Grain Exchange versus HRW wheat on the Kansas City Board of Trade are forecast to be similar to 2004-2005, with a decrease in US and Canadian spring wheat production offset by improved quality in the Canadian CWRS crop. Protein premiums are expected to decline, assuming a return to normal protein levels in the US and Canadian spring wheat crops from the below-normal levels of 2004-2005. High protein Canada Western Red Spring (CWRS) wheat is generally priced competitively with US DNS 14 wheat, while lower protein CWRS and Canada Prairie Spring (CPS) wheat are usually priced competitively with US HWO.

World durum prices are expected to decline only slightly in 2005-2006, with the premium to common wheat rising due to lower stocks in the major exporting countries. Supplies in the major exporting countries are expected to fall by 6%, to 20 Mt, versus the 5-year average of 19 Mt. World import demand is expected to increase, assuming decreased production in North Africa and the EU. The US No.3 Hard Amber Durum (HAD) price, FOB Gulf, is forecast at US\$180-190/t (August-July), versus US\$185-195/t in 2004-2005.

Export subsidies may become a factor in the world wheat market in 2005-2006. The US is expected to only use credit

and food aid programs to stimulate exports, with loan deficiency payments (LDP) used to support farm prices. However, due to rising stocks, the EU is expected to reintroduce export subsidies. The value of the euro against the US dollar and crop conditions in the spring of 2005 will be major factors in determining the need for export subsidies.

Continuing high ocean freight rates will tend to dampen demand in importing countries, and give an advantage to exporters located closer to the major import markets.

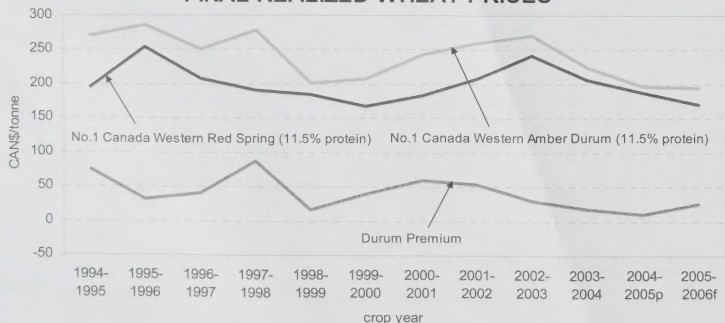
CANADA

Non-durum wheat seeded area is expected to increase by 4% in 2005, due to relatively better expected wheat prices and low stocks compared to canola. Production is forecast to decrease by 5%, however, to 19.9 Mt, assuming a return to a lower trend yield of 36 bu/ac. The smaller production will be partly offset by higher carry-in stocks, and supplies are forecast to be down only 2%. Domestic use is projected to decrease by over 10%, due to less feed use, assuming a return to a normal quality in the 2005 crop. Exports are forecast to increase by 6%, to 13.3 Mt, due to increased supplies of good quality CWRS wheat. Carry-out stocks are projected to decline by 6% to 4.5 Mt.

Durum seeded area is projected to be relatively unchanged, as large stocks and poor delivery opportunities offset the somewhat more attractive expected price compared to CWRS wheat. Assuming lower yields, production is forecast to fall by 10%, to 4.5 Mt. This will be more than offset by higher carry-in stocks, and supplies are forecast to rise marginally, to 6.8 Mt, the highest since 2000-2001. Exports are projected to rise by 3%, to 3.4 Mt, due to slightly stronger world import demand. Carry-out stocks are forecast to rise by a further 9%, to 2.5 Mt.

Canadian Wheat Board pool returns are forecast to decline due to the lower world prices and an expected appreciation of the Canadian dollar. Returns for No.1 CWRS wheat with 11.5% protein are forecast to decline by 9% from 2004-2005, to \$170/t in-store Vancouver or St. Lawrence. Due to lower expected protein premiums, pool returns for No.1 CWRS 13.5% are expected to fall by 11%, to \$180/t. Durum pool returns are projected to decline only slightly, with No.1 CWAD 11.5% at \$195/t, \$2/t lower than in 2004-2005, and with the premium over No.1 CWRS 11.5% rising to \$27/t, from \$10/t in 2004-2005.

CANADIAN WHEAT BOARD: FINAL REALIZED WHEAT PRICES



Source: CWB final pool returns
 US WCTB to 1994-1995; I/S VCSL 1995-1996 to date.
 p: CWB PRO, December 2004; f: forecast, AAFC, January 2005

Ontario winter wheat seeded area has declined by 5%, to 0.3 Mha, due to lower wheat prices and a late soybean harvest. Production is forecast by AAFC to decline by 5%, to 1.4 Mt, with exports down marginally at 0.5 Mt in 2005-2006.

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COARSE GRAINS

World coarse grains production in 2005-2006 is forecast to decrease by 2% from 2004-2005 due to lower corn production in the US, decreased barley production in the EU-25 and less coarse grains production in Ukraine, although production is expected to increase in China and Australia. Supply is projected to increase marginally as lower production is more than offset by higher carry-in stocks. World consumption is forecast to continue the upward trend, driven by strong demand for animal feed and industrial use. World trade is

expected to increase marginally due to higher import demand from the developing economies and the EU, and more adequate export supplies in Australia and Canada.

Corn

For **US** corn, area seeded is expected to increase from 81 million acres (Mac) in 2004-2005 to 82 Mac because of higher expected returns from corn, compared to other crops. Average yields are projected to return to trend level of 145 bu/ac, from the new record of 160 bu/ac set in 2004-2005. Production is, therefore, forecast to decrease by 8% to 10.8 Gbu. Total supplies are expected to increase slightly due to higher carry-in stocks. Domestic use is forecast to decline marginally, as decreased demand for animal feed more than offsets increased use in ethanol production. Exports are forecast to decrease slightly, to 1.90 Gbu, from 1.95 Gbu estimated for 2004-2005, due mainly to stronger competition from other major exporters, including China, in Asian markets. Carry-out stocks are expected to decline slightly to 1.93 Gbu. Program payments under the FSRJA are expected to continue to support corn

production, although farm prices are forecast at US\$2.00/bu, above the loan rate of US\$1.95/bu.

In **China**, corn production is forecast to continue to increase from 2004-2005. High productivity and strong domestic prices have been boosting returns from corn and drawing more area seeded to corn, at the expense of wheat and other crops. Total supplies are expected to continue the downward trend, but at a slower pace. Domestic use is forecast to increase further as a result of increasing demand for hog and poultry feed and the ethanol production in Northeast and Northern China. More adequate domestic supplies and higher expected export prices are expected to encourage China's corn export programs, which are solely implemented by COFCO and Jilin Grain Group. Corn exports are therefore projected to increase from 4.1 Mt in 2004-2005 to 4.5 Mt, but still significantly lower than the record of 15.3 Mt set in 2002-03. The major markets for China are concentrated in the neighbouring Asian countries, especially South Korea. Meanwhile, China is likely to increase its corn imports from 0.2 Mt in 2004-2005. It makes more sense to source corn from

WORLD: GRAINS AND OILSEEDS SUPPLY AND DISPOSITION

	Area (Mha)	Yield (t/ha)	Production	Total Supply	Trade	Use	Carry-out Stocks	Stocks-to- use Ratio	World Prices ^{1/}
			.....	million tonnes.....				(%)	(US\$/t)
WHEAT									
2001-2002	215	2.70	581	787	111	585	202	34	127
2002-2003	214	2.65	567	769	110	601	168	28	161
2003-2004	211	2.62	553	720	106	589	131	22	159
2004-2005e	217	2.86	621	752	107	607	145	24	150-160
2005-2006f	217	2.83	613	758	105	602	156	26	140-150
COARSE GRAINS									
2001-2002	301	2.96	891	1099	102	905	195	22	94
2002-2003	292	2.98	872	1067	105	901	166	18	109
2003-2004	303	2.99	906	1072	102	942	132	14	116
2004-2005e	302	3.30	996	1128	101	969	159	16	90-100
2005-2006f	315	3.10	977	1135	102	985	150	15	95-105
OILSEEDS ^{2/}									
2001-2002	193	1.68	325	363	63	326	39	12	174
2002-2003	193	1.71	330	369	71	324	45	14	232
2003-2004	191	1.76	337	382	67	339	43	13	294
2004-2005e	213	1.83	390	403	74	337	66	20	186
2005-2006f	219	1.80	394	460	77	389	71	18	175

Note: numbers may not add due to rounding

^{1/} Wheat: Hard Winter Ordinary, US Gulf; June-May crop year.

Coarse Grains: US Gulf No.3 Yellow Corn; September-August crop year.

Oilseeds: Chicago Cash No.1 Yellow Soybeans; September-August crop year.

^{2/} The 8 major oilseeds are soybeans, cottonseed, peanuts (whole), sunflowerseed, canola/rapeseed, copra, palm kernels and flaxseed.

e: estimate; USDA (FAS)-January 2005 and AAFC; f: forecast, AAFC, January 2005.

Source: USDA, Oil World

overseas to serve the fast growing Southern and Eastern China markets, given the tightening rail car supplies and skyrocketing freight rates. Carry-out stocks are forecast to continue to decline, but at a slower pace.

Barley

World barley production is expected to decrease from 151 Mt in 2004-2005 to 145 Mt, as lower production in Europe and North America more than offsets higher production in Australia. After two consecutive years of good harvesting, barley production in North Africa is expected to decrease. World barley supplies are projected to remain virtually unchanged from 2004-2005 at 172 Mt, as larger carry-in stocks offset lower production. However, world trade is forecast to decrease slightly due mainly to reduced exportable supplies in Europe. Strong import demand for feed barley in the Middle East and North Africa and higher import demand for malting barley in China and, to a lesser degree, in the US are expected to drive world barley prices up. Government water conservative programs in Saudi Arabia are expected to reduce irrigation of locally grown forage crops. This could have the potential of raising Saudi's barley imports further. World carry-out stocks are expected to drop by 1 Mt from 2004-2005.

In **Europe**, barley production in the EU-25 is expected to decrease by 9% to 56 Mt due to a return of yields from 2004-2005's record high to a more normal level and decreased area seeded to barley. Barley production in the FSU and eastern Europe is forecast to drop slightly, from 37.2 Mt in 2004-2005 to 35.5 Mt. Lower production in Europe is expected to more than offset higher carry-in stocks of 13.2 Mt for 2005-2006 versus 8.3 Mt for 2004-2005. As a result, barley supplies in Europe are forecast to decrease. Demand in Europe is expected to remain at levels close to 2004-2005. In world feed barley market, the EU-25 and, to a lesser degree, the Black Sea countries are expected to face intensive competition in the Middle East and North African markets and exports from the EU are forecast to decrease. In the malting barley market, the EU's export share is expected to drop significantly, as the size and quality of the malting barley crop in Australia and Canada return to more normal levels. EU export subsidies for barley are expected to play a more important role for EU to compete with other exporters, especially Ukraine and Russia.

In **Australia**, barley production is expected to increase to 8 Mt from 6.2 Mt estimated by the Australian Bureau of

Agricultural and Resource Economics for the drought-affected 2004-2005. With steady growth in domestic demand for animal feed and industrial use, barley exports from Australia are projected to recover partially from 2004-2005, to 4.5 Mt, in comparison to 3.2 Mt estimated for 2004-2005 and the five year average of 3.9 Mt. Increased exportable supplies in Australia are expected to depress world barley prices in 2005-2006.

PRICES

The average farm price for **US corn** is forecast to increase to about US\$2.00/bu, compared to the current United States Department of Agriculture forecast of US\$1.95/bu for 2004-2005. The nearby Chicago futures price is expected to increase to US\$2.20/bu from US\$2.15/bu expected for 2004-2005. This will cause US Gulf and Pacific Northwest (PNW) corn prices to increase and will support international coarse grain prices in general. The average LDP to-date on corn for 2004-2005 has increased to US\$0.29/bu on nearly 50% of the crop from US\$0.05/bu on 8.6% of the crop for 2004-2005. For 2005-2006, LDPs are expected to be lower than in 2004-2005, but remain high, historically. The average **US PNW feed barley** price is forecast to increase to US\$120/t from US\$115/t forecast for 2004-2005. EU barley prices are expected to rise to US\$135/t from US\$130/t estimated for 2004-2005, as decreased production in both the EU-25 and the Black Sea countries puts less pressure on prices in Europe. Prices in Australia are forecast to decrease from 2004-2005 as a result of higher production.

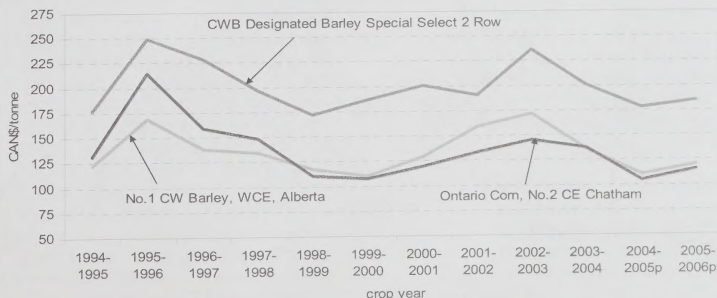
CANADA

Area harvested for coarse grains is expected to increase by 5% from 2004-2005 as abandonment rates decrease to more normal levels despite lower seeded

area. Production is forecast to decrease by about 2% to 25.9 Mt due to lower yields, while total supplies are expected to increase by 2% as a result of significantly higher carry-in stocks. Domestic consumption is projected to rise by 2% due mainly to higher feed use for coarse grains, in replacement of wheat. Exports are forecast to increase significantly as a result of stronger import demand and improvement in crop quality. Carry-out stocks are expected to decline sharply, from 5.2 Mt in 2004-2005 to 4.4 Mt.

For **barley**, Canadian production is forecast to decrease by 8% from 2004-2005. Farmers are expected to reduce area seeded to barley by 4% due to large carry-in stocks and low expected prices, relative to other grains and oil seeds. Average yields are expected to decrease from 3.3 t/ha to about 3.0 t/ha. Supplies are projected to increase from 2004-2005 to 15.4 Mt, as large carry-in stocks more than offset lower production. Domestic use of feed barley, mainly in western Canada, is expected to rise from 2004-2005 due to increased supplies of barley and less availability of feed wheat. Imports of US corn, mainly destined for eastern Canada, are forecast to increase slightly from 2004-2005, but still significantly lower than the average for the last five years. Exports of feed barley are projected to remain low, due to stronger domestic demand, lower overseas prices and more competition in major importing markets. The quality of the 2004-2005 barley crops is much below normal and the selection rate for malting barley is estimated to have dropped sharply, due to sprout and frost damage and high screenings. Exports of malting barley for 2005-2006 are expected to increase to 1.1 Mt from an estimated 0.6 Mt in 2004-2005. Import demand is expected to improve in the US for six-row designated barley and remain strong in China for two-row varieties.

CANADA: BARLEY AND CORN PRICES



p: CWB PRO, December 2004 for Designated barley;
f: forecast, AAFC, January 2005 for WCE barley and Ontario corn
Source: Canadian Wheat Board, Ontario Ministry of Agriculture and Food

Carry-out stocks are expected to fall to 2.4 Mt, from 3.2 Mt in 2004-2005.

Off-Board feed barley prices are forecast to average \$120/t (I/S Lethbridge), \$10/t higher than for 2004-2005, as a result of stronger domestic demand for feed and larger barley exports. Higher US farm prices for corn are also expected to support feed barley prices in western Canada. For Pool A, the 2005-2006 CWB final pool return for No.1 CW feed barley is forecast by AAFC at \$125/t, compared to the Dec. 2004 PRO of \$117/t I/S VC/SL for 2004-2005. The pool return for Special Select Two-Row designated barley is forecast to increase to \$185/t from \$178/t for 2004-2005. The pool return for Special Select Six-Row designated barley is projected to increase to \$172/t from \$162/t for 2004-2005. The discount for six-row malting barley over two-row is expected to be lower than in 2004-2005 as two-row prices are pressured more by overseas competition than six-row prices by competition in North America.

For **oats**, Canadian production is forecast to increase by 7% from 2004-2005, to 4.0 Mt. Exports are forecast to increase as a result of higher exportable supplies, more normal crop quality in Canada and stronger import demand from the US. Carry-out stocks are projected to increase from 2004-2005 and remain high historically. The average oat price in western Canada is expected to remain unchanged from 2004-2005 at \$130/t. US production is expected to decline slightly from 2004-2005, consistent with the long-term trend. However, total US supplies are projected to decrease by 8% from 2004-2005 as a result of lower carry-in stocks and a smaller crop. Production in the EU is forecast to increase slightly from 2004-2005. Export subsidies could be higher than in 2004-2005, due to a larger oat crop in both Canada and Scandinavia, a strong Euro and high ocean freight rates. Chicago futures prices are expected to increase marginally from 2004-2005 to US\$1.60/bu in 2005-2006, suggesting an average on-farm price of about \$120/t in Manitoba and \$105/t in Saskatchewan. Oats are expected to be priced competitively with US corn and the spread between CBoT corn and oats, on a per tonne basis, is forecast at US\$20/t, in favour of oats.

For **corn**, Canadian production is forecast to be marginally higher than 2004-2005. Area seeded to corn is projected virtually unchanged from 2004-2005. However, harvested area is expected to increase by 8%, based on trend retention rates. Yields are expected to decrease by 7%, from 131

bu/ac in 2004-2005 to 122bu/ac. Total supplies are forecast to decrease slightly, due to lower carry-in stocks. Corn imports from the US are forecast to increase from 2.1 Mt estimated for 2004-2005 to 2.2 Mt, with 1.75 Mt for eastern Canada and 0.45 Mt for western Canada. Domestic use is expected to increase marginally from 2004-2005. The Chatham elevator corn price is forecast to average \$115/t, \$10 higher than estimated for 2004-2005, due to higher US prices, despite a stronger Canadian dollar. The Chatham-Chicago basis is forecast to strengthen from 2004-2005 when the spread has been pressured by record US production.

For **rye**, production is forecast to increase by 3% from 2004-2005 to 0.43 Mt. Although area seeded to rye is expected to decrease sharply, area harvested for grain is projected to increase significantly. Yields are expected to drop from 40bu/ac to trend level of 34bu/ac. Feed use is forecast to increase, due to increased supplies, while industrial use and exports are forecast to remain unchanged from 2004-2005. The on-farm price for rye is forecast at \$75-95/t across the Prairies, similar to 2004-2005, based on the general trend for coarse grain prices in Canada. Rye is usually priced competitively with barley based on its feed value; however, some premiums are expected to be offered for rye in Manitoba, and perhaps Alberta, to attract quality supplies for the food market.

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OILSEEDS

World production of the eight major oilseeds is forecast to increase slightly from 2004-2005 to a record 394 Mt in 2005-2006. This is due largely to higher soybean plantings in South America, and a continuation of high supplies in the US. Oilseed use is forecast at a record 389 Mt, on support from increased veggie and protein meal consumption in China and India. Trade is expected to rise to 77 Mt, with forecast carry-out stocks at 71 Mt, up from 66 Mt in 2004-2005.

World demand for oilseeds and oilseed products is expected to continue growing and in the process setting new records on support from increased world demand for protein and fats. Vegetable oils (vegoils) are the major source of dietary fats for humans with worldwide

per capita consumption expected to be about 20 kilograms per year.

World **soybean** production is forecast to increase marginally to 232 Mt from the 231 Mt expected for 2004-2005. World soybean crush is forecast at a record 185 Mt, as China and Brazil continue to expand processing capacity. China's soybean crush, forecast at 30 Mt for 2005-2006, has increased sharply during the past five years but future expansion is expected to slow down due to pressured crush margins. World soybean carry-out stocks are forecast to decrease slightly to 58 Mt.

In the US, soybean production is expected to fall to about 3 Gbu, as yields return to normal, although the impact of the recently discovered Asian Rust Fungus remains unknown. Seeded area is expected to be marginally lower, due to low market prices compared to corn and wheat, uncertainty over disease and burdensome carry-in stocks. As a result, US soybean supplies are expected to increase, which will pressure world prices. US soybean exports are expected to increase marginally due to high supplies and the weak US dollar.

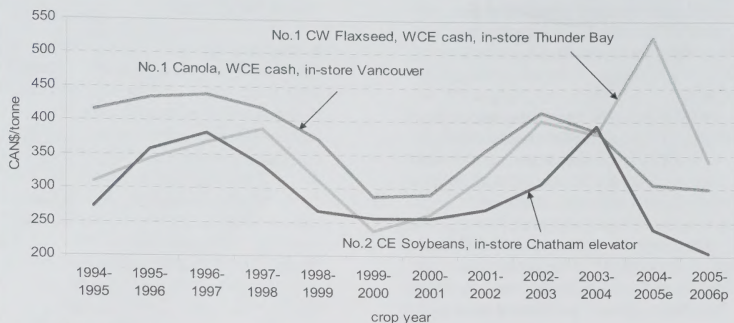
In South America, Brazil, Argentina and Paraguay are expected to continue to increase the area seeded to soybeans, which will be harvested from March to May, slightly ahead of the North American seeding period. The combined soybean production of Brazil and Argentina is expected to be about 35% above that of the US.

Chinese import demand is expected to rise marginally to about 23 Mt. Concurrently, continued high ocean freight rates are expected to pressure South American exports of soybeans due to its greater distance from the European and Asian markets.

World **canola/rapeseed** production is forecast to decrease by 5%, to 41 Mt due to an expected decrease in area in Canada and Australia as a result of lower returns per hectare compared to wheat or special crops. World trade is expected to remain unchanged at about 6 Mt largely due to slightly higher Canadian exports. Total world canola/rapeseed crush is forecast to rise to 40 Mt in 2005-2006 despite weaker than normal crush margins. Carry-out stocks are expected to fall marginally to 2.5 Mt.

World **flaxseed** production is forecast to increase, largely due to higher production in Canada, which is the largest producer and exporter of flaxseed. Area seeded is forecast to increase significantly in Canada, in response to sharply higher

CANADA: OILSEED PRICES



c: estimate, AAFC, January 2005

f: forecast, AAFC, January 2005

Source: Winnipeg Commodity Exchange and Ontario Soybean Growers

prices in 2004-2005, and average yields are expected to increase, assuming normal growing conditions in 2005-2006.

PROTEIN MEAL AND EDIBLE OIL

Soymeal production, which represents 70% of world protein meal production, is forecast to increase to 144 Mt from 142 Mt in 2004-2005, due to higher crush in the US, Brazil, Argentina and China. Demand for soymeal is expected to increase on support from the ongoing ban on animal meal in US livestock rations, the growth in Asian industrial livestock and aquaculture production, the devaluation of the US dollar against the Euro and possibly the Chinese renminbi. However, soymeal prices are expected to decline slightly from the already low 2004-2005 level.

Edible oil production is forecast to increase to 108 Mt from 106 Mt in 2004-2005, due to slightly higher palm oil production and increased soybean and canola/rapeseed crushing. Demand for edible oils is expected to remain strong, particularly in China and India. Chinese demand for vegoils is forecast to grow slightly and will be met through increased crush and increased oilseed, palm oil, soyoil and canola/rape oil imports.

Palm oil production in Malaysia is expected to grow at a moderate pace due to the maturation of the palm oil trees and a slowdown in the planting and replanting of palm trees, which will be supportive for vegoil prices.

US PRICES

The US on-farm price of soybeans is forecast to fall to US\$4.85/bu from

US\$5.10/bu for 2004-2005, due to the expected growth in US supplies and record high South American production. Soymeal prices are forecast to increase, although still remaining weak, to US\$175/short ton (st) from US\$158/st in 2004-2005. World vegoil prices are expected to remain weak. The US soyoil price is forecast to average US\$0.22 per pound (/lb) vs. US\$0.225/lb for 2004-2005. For 2005-2006, US program payouts are expected to increase as prices remain below the US\$5.80/bu target price and US\$5.00/bu loan rate.

CANADA

For **canola**, seeded area is forecast to decrease by 1% to 5.0 Mha due to low prices relative to wheat. Production is forecast to decline to 6.9 Mt from 7.7 Mt in 2004-2005. Supplies are projected to rise slightly, as the second largest carry-in on record more than offsets the lower production. Domestic crush is forecast to decrease slightly while exports are expected to be unchanged due to competition from burdensome world supplies. Carry-out stocks are expected to decrease marginally to 1.45 Mt, while prices are forecast to remain unchanged at \$300/t.

For **flaxseed**, seeded area is forecast to increase by 37% due to high prices in 2004-2005. As a result of higher yields, production is forecast to increase significantly to 1.2 Mt from 0.5 Mt in 2004-2005. Supplies are projected to rise to 1.3 Mt. Exports are expected to rise to 0.7 Mt, while total domestic use increases. Carry-out stocks are expected to rise sharply to 0.3 Mt from 0.05 Mt in 2004-2005, with prices

forecast to fall to \$340/t from \$525/t expected for 2004-2005.

For **soybeans**, seeded area is forecast to increase to a record large 1.2 Mha due to better expected financial returns compared to wheat and lower input costs than for corn. Average yields are expected to return to normal and production is forecast to decrease to 3.0 Mt, from the record 3.05 Mt in 2004-2005. Supplies are expected to increase. Exports are expected to increase to 0.9 Mt. Domestic processing is forecast to remain stable at a near record high pace because of ample supplies and reasonable crush margins. Prices are expected to decline to \$205/t, I/S Chatham, from \$230/t expected for 2004-2005, due to lower US soybean prices.

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WORLD AND CANADIAN OUTLOOK FOR PULSE AND SPECIAL CROPS IN 2005-2006

For 2005-2006, total area seeded to pulse and special crops in Canada is forecast to decrease by 5%, from 2004-2005, as increases for dry beans, sunflower seed and chickpeas are more than offset by decreases for mustard seed, lentils and canary seed. Seeded areas for dry peas and buckwheat are expected to be similar to 2004-2005. It is assumed that precipitation will be normal for the winter, spring and summer. Trend yields are assumed for both western and eastern Canada, as soil moisture reserves are generally good. It has been assumed that the abandonment rate and average quality will be normal.

Total production in Canada is forecast to decrease by 10%, from 2004-2005, to 4.69 Mt. Total supply is expected to increase by 2% to 5.95 Mt due to higher carry-in stocks. Exports and domestic use are forecast to increase due to the higher supply and stronger demand. Carry-out stocks are expected to decrease. Average prices, over all types, grades and markets, are forecast to increase for lentils, chickpeas and mustard seed, decrease for dry beans and sunflower seed, and be the same for dry peas, canary seed and buckwheat. However, prices are expected to be very sensitive to any production problems. The main factor to watch will be precipitation during the spring and summer in Canada. Other factors to watch are the exchange rates of the Canadian dollar against the US dollar and other currencies, ocean shipping rates and growing conditions in major producing regions, especially United States, European Union, Australia, Turkey, India and Mexico.

DRY PEAS

World production is forecast to decrease by 4%, from 2004-2005, to 11.7 Mt, but supply is expected to increase by 3% to 12.9 Mt.

Canadian seeded area is forecast to be similar to 2004-2005. Although potential returns for dry peas are as good as, or better than for most alternative crops, higher carry-in stocks are expected to discourage increased area. Production is forecast to decrease by 14% to 2.88 Mt due to lower trend yields, but supply is expected to rise slightly due to higher carry-in stocks. Exports and domestic use are forecast to increase due to expected stronger demand. Carry-out stocks are forecast to decrease, with a stocks-to-use ratio (s/u) of 20%.

The pressure from higher supply is expected to be offset by stronger demand. Therefore, the average price of dry peas, over all grades, types and markets, is forecast to be the same as in 2004-2005.

LENTILS

World production is forecast to decrease by 8% to 3.5 Mt, but supply is expected to remain stable at 3.9 Mt.

Canadian seeded area is forecast to decrease by 5%, because of sharply higher carry-in stocks. Production is forecast to decrease by 13% to 840,000 t, due to the decrease in seeded area and lower trend yields. Supply is expected to remain stable as higher carry-in stocks offset the decrease in production. Exports are forecast to increase due to higher demand, but carry-out stocks are also expected to increase, with an s/u of 23%. The average price of lentils over all grades and types is forecast to increase, as pressure from higher world supply is more than offset by a return to higher normal quality.

DRY BEANS

World production is forecast to increase slightly, but total supply is expected to decrease slightly. However, world production includes many classes of dry beans, most of which do not have any influence on prices of the classes of dry beans produced in Canada. The most important influence on Canadian dry bean prices is US production, which is expected to increase by 47% to 1.15 Mt because of higher seeded area and higher yields. However, US supply is expected to increase by only 16% to 1.22 Mt, due to lower carry-in stocks.

Although prices for most classes of dry beans are attractive, Canadian seeded area is forecast to increase by only 15% due to limited seed supply and the discouragement of some producers in Manitoba because of the poor crop in 2004-2005. Production is forecast to increase by 55% to 340,000 t due to the higher seeded area, lower abandonment and higher yields, but supply is forecast to increase by only 33% due to lower carry-in stocks. Exports are expected to increase due to the higher supply. Carry-out stocks are forecast to increase slightly, with an s/u of 6%. The average price, over all classes and grades, is forecast to decrease because of the higher supply.

CHICKPEAS

World production is forecast to increase by 3% to 8.25 Mt, but supply is expected to decrease marginally to 8.35 Mt.

Canadian seeded area is forecast to increase by 15%, as prices for the kabuli type are attractive. Production is forecast to increase by 18% to 60,000 t, because of the higher seeded area and lower abandonment, but supply is expected to decrease slightly due to lower carry-in stocks. Exports are forecast to remain

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stable and carry-out stocks are expected to remain low. The average price, over all types, grades and sizes, is forecast to rise, assuming a higher normal quality.

MUSTARD SEED

World mustard seed trade is dominated by Canada. Canadian seeded area is forecast to decrease by 25% because of burdensome carry-in stocks. Production is forecast to decrease by 39% to 185,000 t, because of the lower seeded area and lower trend yields, but supply is forecast to decrease by only 14%, due to

higher carry-in stocks. Exports are expected to increase and carry-out stocks are forecast to decrease, with an s/u ratio of 38%. The average price, over all types and grades, is forecast to increase due to the lower supply.

CANARY SEED

World canary seed production is expected to decrease by 22% to 265,000 t, mainly because of lower production in Canada, but supply is expected to increase marginally to 415,000 t, due to higher carry-in stocks.

Canadian seeded area is forecast to decrease by 25% because of burdensome carry-in stocks. Production is forecast to fall by 18% to 245,000 t, as the decrease in seeded area is partly offset by lower abandonment. Supply is forecast to increase slightly due to higher carry-in stocks. Exports are expected to increase and carry-out stocks are forecast to increase, with an s/u ratio of 64%. The average price is forecast to remain stable, in line with the relatively stable supply.

SUNFLOWER SEED

World sunflower production and supply are forecast to increase slightly to 25.7 Mt and 26.9 Mt, respectively. US production is expected to increase by 40% to 1.3 Mt and supply is forecast to increase by 26% to 1.37 Mt.

Canadian seeded area is forecast to increase by 15%. Although potential returns are better than for most other crops, many producers are expected to be discouraged by the poor crop in 2004-2005. Production is forecast to nearly triple to 140,000 t, due to the higher seeded area and a return to normal abandonment and higher trend yields. Supply is forecast to increase by only 54% due to lower carry-in stocks. Exports and domestic use are expected to increase. Carry-out stocks are expected to rise slightly, with a s/u of 7%. The average price, over both types and all grades, is forecast to decrease due to the higher supply in US and Canada.

BUCKWHEAT

Canadian production and supply are forecast to increase, but remain small, with a stable seeded area, lower abandonment and higher trend yields. World supply is expected to decrease by 5% to 2.8 Mt. The average price, over all grades and markets, is forecast to be the same as in 2004-2005 as support for lower world supply is offset by higher Canadian supply.

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WORLD: DRY PEAS SUPPLY AND DISPOSITION

	2001	2002	2003	2004	2005
<i>crop year</i>	-2002	-2003	-2004	-2005f	-2006f
Harvested Area (kha)	6,350	6,290	6,510	6,760	6,800
Yield (t/ha)	1.66	1.59	1.56	1.80	1.72
.....thousand tonnes.....					
Carry-in Stocks	500	500	500	400	1,200
Production	10,540	10,020	10,170	12,160	11,680
Total Supply	11,040	10,520	10,670	12,560	12,880
Total Use	10,540	10,020	10,270	11,360	11,680
Carry-out Stocks	500	500	400	1,200	1,200

WORLD: LENTILS SUPPLY AND DISPOSITION

	2001	2002	2003	2004	2005
<i>crop year</i>	-2002	-2003	-2004	-2005f	-2006f
Harvested Area (kha)	3,955	3,695	3,735	4,075	3,950
Yield (t/ha)	0.79	0.82	0.82	0.93	0.88
.....thousand tonnes.....					
Carry-in Stocks	500	500	100	100	400
Production	3,255	2,905	3,065	3,790	3,490
Total Supply	3,755	3,405	3,165	3,890	3,890
Total Use	3,255	3,305	3,065	3,490	3,540
Carry-out Stocks	500	100	100	400	350

CANADA AND US: DRY BEANS SUPPLY AND DISPOSITION

	2001	2002	2003	2004	2005
<i>crop year</i>	-2002	-2003	-2004	-2005f	-2006f
Harvested Area (kha)	702	731	695	602	810
Yield (t/ha)	1.59	2.37	1.95	1.66	1.84
.....thousand tonnes.....					
Carry-in Stocks	324	125	330	300	80
Production	1,113	1,736	1,357	1,000	1,490
Total Supply	1,437	1,861	1,687	1,300	1,570
Total Use	1,312	1,531	1,387	1,220	1,360
Carry-out Stocks	125	330	300	80	210

f: forecast, AAFC, January 2005

Source: FAO, USDA, UNIP, Pulse Australia, Statistics Canada, AAFC



CANADA: GRAINS AND OILSEEDS OUTLOOK

January 14, 2005

For 2004-05, total grain and oilseed production in Canada is estimated by Statistics Canada to increase to 63.6 million tonnes (Mt) from 59.7 Mt for 2003-04 and the 10 year average of 58.5 Mt. In western Canada, production is estimated to increase to 48.2 Mt from 44.2 Mt in 2003-04, as a result of a sharp increase in yields despite the abnormally cold growing season. In eastern Canada, production decreased marginally to 15.4 Mt, as the decline in harvested area offset the increase in yields. For 2004-05, total supplies of grains and oilseeds are expected to rise to 77.1 Mt from 72.7 Mt in 2003-04 and compared to the record of 81.4 Mt set in 1999-00.

For 2004-05, total exports of grains and oilseeds are projected to decline to 24.2 Mt from 25.3 Mt for 2003-04, as expected smaller barley and canola exports more than offset the projected rise in wheat exports. Total domestic use of grains and oilseeds is forecast to rise to a record 38.8 Mt due to higher feeding and a slight rise in food and industrial use. Carry-out stocks are projected to increase sharply to 14.2 Mt versus 11.0 Mt in 2003-04 and the record 18.5 Mt set in 1992-93. In general, the quality of the western Canadian crop is sharply below normal, with less than a third of the CWRS wheat falling into the top two grades, and with 66% of the canola expected to be grade No.1. In eastern Canada crop quality is average. For all grains and oilseeds, except flaxseed, prices are forecast to decline sharply, largely due to the bumper crops in the US, the expected large South American production, the appreciation of the Canadian dollar against the US dollar and the slow growth in world consumption. Factors to watch are: Chinese import demand, South American growing conditions, EU grain export policy, the US winter wheat seeded area, ocean freight rates and the Canadian/US exchange rate.

WHEAT (ex-durum)

For 2004-05, production is estimated at 20.9 Mt, 8% higher than 2003-04 and the highest since 1999-00, due to a record 2.71 t/ha (40 bu/ac) average yield. Supplies are forecast at 25.2 Mt, 8% above last year and close to the 10-year average. However, the proportion of the CWRS crop falling into the top grades has been significantly reduced by frost and moisture damage, and over a third of the crop is expected to be of feed quality. Total domestic use of wheat is projected to increase, due to greater use of wheat for feed. Total exports are forecast to increase slightly, with carry-out stocks expected to rise by 12%, 4.8 Mt. It is currently assumed that much of the feed wheat surplus to domestic needs will be delivered to the Canadian Wheat Board (CWB) for export, although a portion is expected to be carried over into 2005-06 due to extremely low feed wheat prices. The CWB Dec. Pool Return Outlook (PRO) for No.1 CWRS 11.5% protein is \$187/t, in-store Vancouver/St. Lawrence (I/S VC/SL), unchanged from last month but down by \$19/t from last year. Protein premiums are expected to increase, due to lower protein content in both the Canadian and US spring wheat crops, with the PRO for No.1 CWRS 13.5% at \$202/t, \$9/t below 2003-04.

DURUM

Production increased by 16%, with higher yields offsetting a smaller area. Supplies are forecast to increase by 10% to 6.75 Mt, vs the 10-year average of 6.3 Mt. However, exports are expected to decline slightly, due to weak world import demand. The percentage of the Canadian durum crop falling into the top grades is expected to be below normal, but supplies of high quality durum are expected to be adequate. Carry-out stocks are projected to increase by almost 30%, to 2.3 Mt, the highest in four years. The CWB PRO for No.1 CWAD 11.5% protein is down by \$3/t from Nov. at \$197/t, I/S VC/SL, \$27/t below 2003-04. The premium to No.1 CWRS 11.5% is projected at \$10/t, down from \$18/t in 2003-04.

BARLEY

Production is estimated to increase by 7% due to higher yields, despite lower seeded area. Supplies are forecast to increase by 11% due to higher production and carry-in stocks. Feed use is projected to increase, due to higher supplies in western Canada and increased shipments to eastern Canada. Exports of malting barley are expected to drop significantly as lower crop quality reduces the selection rates, although import demand from China is projected to recover. Exports of feed barley are also expected to decrease due to competitions from Europe and relatively low overseas prices, despite increased supplies and low prices in Canada. Carry-out stocks are forecast to increase sharply. Off-Board feed barley prices are expected to decrease by about \$25/t from 2003-04 to \$110/t, due to increased domestic supplies and lower US corn prices. The CWB Dec. PRO for No.1 CW feed barley is \$117/t and \$110/t, I/S VC/SL, for pool A and B, respectively, compared to \$169.21/t for 2003-04. The PRO for Special Select Two Row designated barley is \$178/t, versus \$200.70/t for 2003-04, due to higher supplies in Europe.

OATS

Production decreased marginally, as higher yields have only partially offset lower harvested area. Supplies are forecast to increase by 6% due to higher carry-in stocks. Exports are expected to decline slightly due to decreased US import demand. As a result of lower US corn prices, oat prices are forecast to fall. US oats are expected to be priced at a premium of 20% to corn on a per tonne basis.

CORN

Production fell by 8%, as lower harvested area more than offset higher yields. Supplies fell by 5% despite marginally higher imports related to lower production in eastern Canada. The feed use of corn is forecast to decline by 7%, as feed wheat and barley replace some of the corn. Carry-out stocks are forecast to decline sharply. Chatham corn prices are forecast to drop to \$105/t, due mainly to record US corn production.

CANOLA

Production increased by 14% from 2003-04, to 7.7 Mt, the second highest on record. Total supplies are forecast to increase by only 8%, due to lower carry-in stocks. Domestic crush is forecast to decline by 6%, to 3.2 Mt, due to lower crush margins and competition from burdensome world veg-oil supplies. Exports are also forecast to decrease by 9%, due to lower shipments to Mexico and Pakistan. Carry-out stocks are forecast to rise sharply from 2003-04 to a burdensome 1.5 Mt. The average Vancouver cash price is forecast to fall to \$280-320/t, as a result of the stronger Canadian dollar and lower US soyoil prices.

FLAXSEED (excluding solin)

Production decreased by 31%, due to lower harvested area and lower yields because of frost and the unusually cold growing seasons. Supplies are forecast to decrease by 30%. Exports are forecast to decrease to 0.45 Mt due to tight supplies. Carry-out stocks are expected to drop from 2003-04 to very tight levels. The average Thunder Bay cash price is forecast to rise to \$475-575/t, on support from tight supplies.

SOYBEANS

Production increased by 34% from 2003-04 to a record high 3.05 Mt, due to an increase in harvested area and sharply higher yields. Supplies are forecast to increase to 3.3 Mt, the third highest on record. Food and industrial use is forecast to remain stable, while exports and carry-out stocks decrease slightly. The average Chatham price is forecast to decrease to \$210-250/t, under pressure from lower US soybean prices and the stronger Canadian dollar.

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CANADA: GRAINS AND OILSEEDS SUPPLY AND DISPOSITION

January 14, 2005

Grain and Crop Year (a)	Harvested Area 000 ha	Yield t/ha	Production	Imports (b)	Total Supply	Exports (c)	Food and Ind. Use (e)	Feed, Waste & Dockage	Total Dom- estic Use (d)	Carry-out Stocks	Average Price (f) \$/t
----- thousand metric tonnes -----											
Durum											
2003-2004	2,459	1.74	4,280	1	5,900	3,427	258	215	683	1,790	224.21
2004-2005f	2,141	2.32	4,962	1	6,753	3,300	260	683	1,153	2,300	197 *
2005-2006f	2,175	2.06	4,490	1	6,791	3,400	265	406	891	2,500	195 f
Wheat Except Durum											
2003-2004	8,009	2.41	19,272	16	23,395	12,299	2,628	3,389	6,824	4,273	206.03
2004-2005f	7,722	2.71	20,898	20	25,191	12,600	2,650	4,302	7,791	4,800	187 *
2005-2006f	8,175	2.43	19,900	15	24,715	13,300	2,675	3,420	6,915	4,500	170 f
ALL WHEAT											
2003-2004	10,467	2.25	23,552	18	29,295	15,726	2,886	3,604	7,507	6,062	
2004-2005f	9,862	2.62	25,860	21	31,943	15,900	2,910	4,985	8,943	7,100	
2005-2006f	10,350	2.36	24,390	16	31,506	16,700	2,940	3,826	7,806	7,000	
Barley											
2003-2004	4,446	2.77	12,328	36	13,838	2,444	311	8,555	9,288	2,106	135.80
2004-2005f	4,050	3.26	13,186	30	15,323	1,850	375	9,443	10,273	3,200	100-120
2005-2006f	4,040	3.01	12,180	30	15,410	2,500	380	9,725	10,510	2,400	110-130
Corn											
2003-2004	1,226	7.82	9,587	2,063	12,761	283	2,415	8,907	11,335	1,143	137.18
2004-2005f	1,072	8.24	8,836	2,100	12,078	150	2,650	8,293	10,978	950	95-115
2005-2006f	1,160	7.67	8,900	2,200	12,050	200	2,700	8,350	11,050	800	105-125
Oats											
2003-2004	1,575	2.34	3,691	19	4,234	1,559	156	1,548	1,875	800	136.65
2004-2005f	1,315	2.80	3,683	20	4,503	1,500	170	1,633	2,003	1,000	110-130
2005-2006f	1,540	2.57	3,960	15	4,975	1,800	170	1,705	2,075	1,100	110-130
Rye											
2003-2004	147	2.22	327	1	358	50	47	193	258	50	104.44
2004-2005f	165	2.53	418	2	470	80	48	245	310	80	75-95
2005-2006f	200	2.15	430	1	511	80	48	266	331	100	75-95
Mixed Grains											
2003-2004	135	2.84	384	0	384	0	0	384	384	0	
2004-2005f	111	2.87	318	0	318	0	0	318	318	0	
2005-2006f	140	2.79	390	0	390	0	0	390	390	0	
TOTAL COARSE GRAINS											
2003-2004	7,529	3.50	26,317	2,119	31,575	4,336	2,930	19,588	23,140	4,099	
2004-2005f	6,713	3.94	26,441	2,152	32,692	3,580	3,243	19,932	23,882	5,230	
2005-2006f	7,080	3.65	25,860	2,246	33,336	4,580	3,298	20,436	24,356	4,400	
Canola											
2003-2004	4,689	1.44	6,771	242	7,907	3,754	3,390	110	3,541	612	387.04
2004-2005f	4,938	1.57	7,728	220	8,560	3,400	3,200	415	3,660	1,500	280-320
2005-2006f	4,890	1.41	6,900	225	8,625	3,400	3,100	630	3,775	1,450	280-320
Flaxseed											
2003-2004	728	1.04	754	22	905	609	n/a	n/a	199	97	382.13
2004-2005f	528	.98	517	20	634	450	n/a	n/a	134	50	475-575
2005-2006f	974	1.23	1,200	20	1,270	700	n/a	n/a	245	325	320-360
Soybeans											
2003-2004	1,047	2.17	2,268	586	2,999	905	1,500	325	1,954	140	395.04
2004-2005f	1,178	2.59	3,048	100	3,288	850	1,500	488	2,088	350	210-250
2005-2006f	1,199	2.50	3,000	250	3,600	900	1,750	490	2,350	350	185-225
TOTAL OILSEEDS											
2003-2004	6,464	1.52	9,794	850	11,811	5,268	n/a	n/a	5,694	849	
2004-2005f	6,643	1.70	11,293	340	12,482	4,700	n/a	n/a	5,882	1,900	
2005-2006f	7,063	1.57	11,100	495	13,495	5,000	n/a	n/a	6,370	2,125	
TOTAL GRAINS AND OILSEEDS											
2003-2004	24,461	2.44	59,663	2,986	72,681	25,330	n/a	n/a	36,341	11,010	
2004-2005f	23,219	2.74	63,595	2,513	77,117	24,180	n/a	n/a	38,707	14,230	
2005-2006f	24,493	2.50	61,350	2,757	78,337	26,280	n/a	n/a	38,532	13,525	

(a) August - July crop year except corn and soybeans which are September - August.

(b) Excludes imports of products.

(c) Includes exports of products for wheat, oats, barley, and rye. Excludes exports of oilseed products.

(d) Total = F&I + FWD + Seed Use

(e) Industrial use excludes flaxseed due to data confidentiality.

(f) Crop year average prices: No.1 CWRS 11.5% protein and No.1 CWAD 11.5% (CWB final price I/S St. Lawrence/Vancouver),

Barley (No. 1 feed, WCE, cash, I/S Lethbridge), Corn (No.2 CE, cash, I/S Chatham), Oats (US No. 2 Heavy, CBoT nearby futures);

Rye (No.2 Canada, Elevator bids at select western delivery points); Canola (No. 1 Canada, WCE, cash, I/S Vancouver);

Flaxseed (No. 1 CW, WCE, cash, I/S Thunder Bay); Soybeans (No. 2, I/S Chatham).

* CWB Pool Return Outlook (PRO) - December 2004

^{1/} Source for Food and Industrial Use is based on data from the Canadian Oilseed Processors Association.

f. forecast - Agriculture and Agri-Food Canada - January 14, 2005

Source: Statistics Canada, Cereals and Oilseeds Review Series, Cat. No. 22-007



CANADA: PULSE AND SPECIAL CROPS OUTLOOK

January 14, 2005

For 2004-05, total Canadian pulse and special crops production increased by 42%, from 2003-04, to 5.23 million tonnes (Mt), based on Statistics Canada's (STC) November production estimates. Total pulse and special crops supply increased by only 33% to 5.81 Mt, because of lower carry-in stocks. Although exports and domestic use are forecast to increase due to the higher supply, strong demand and lower prices for most crops, carry-out stocks are also expected to increase. Average prices, over all grades and markets, are forecast to increase from 2003-04 for dry beans, chickpeas and sunflower seed, decrease for dry peas, lentils, mustard seed and canary seed, and be the same for buckwheat.

Harvesting of pulse and special crops was much later than normal, but is, in general, complete. Average yields ranged from lower than trend to higher than trend, depending on the crop, but abandonment was generally higher than normal. Yields were much lower than trend and abandonment much higher than normal for dry beans and buckwheat in Manitoba and sunflower seed in Manitoba and Saskatchewan, due to late seeding, below normal temperatures and damage from excessive rainfall, frost and disease. Average quality is, in general, lower than normal due to damage from frost and wet weather. The main factors to watch are exchange rates, ocean shipping rates, and crop and harvest conditions in other major producing countries, especially Australia, India and Pakistan.

DRY PEAS

For 2004-05, production and supply increased, due to a 7% increase in seeded area and higher yields. Production increased for yellow, green and other types. The average quality is significantly lower than in 2003-04. World supply increased by 18% to 12.6 Mt, mainly because of higher production in Canada, EU and US, but this is expected to be mostly offset by increased use in both the feed and food markets. Canadian exports and domestic use are forecast to increase due to the higher supply and lower prices. For exports, most of the increase is expected to be to the EU and Asia. For domestic use, most of the increase is expected for feeding hogs. Carry-out stocks are forecast to increase with a stocks-to-use (s/u) ratio of 24%. The average price, over all types, grades and markets, is forecast to decrease due to the higher supply.

LENTILS

Production and supply increased, due to a 41% increase in seeded area and higher yields. Production increased for large, medium and small green, red and other types. The average quality is significantly lower than in 2003-04. World supply increased by 23% to 3.89 Mt, due mainly to higher production in Canada. Canadian exports are expected to increase, as Canada's share of world supply increases and prices decrease. Carry-out stocks are forecast to increase, with a s/u of 19%. The average price, over all types and grades, is forecast to decrease due to the higher supply and lower average quality.

DRY BEANS

Production and supply decreased sharply, due mainly to crop damage in Manitoba, the main producing province. Production and supply decreased for white pea, pinto, black, light red kidney, Great Northern, small red and pink beans, but was similar to 2003-04 for dark red kidney and cranberry

beans. US production decreased by 22% to 780,000 t, due to a lower harvested area and lower yields. Total US and Canadian supply of nearly all major classes of dry beans decreased. Canadian exports are forecast to fall sharply, due to the lower supply, and carry-out stocks are expected to decrease to a low level. The average price, over all classes and grades, is forecast to rise sharply due to the lower supply.

CHICKPEAS

Production and supply fell, due to a 26% decrease in seeded area and higher abandonment. Production increased marginally for the large and small kabuli types, but decreased for the desi type. However, supply decreased for all types due to lower carry-in stocks. The average quality is significantly lower than in 2003-04. World supply decreased by 4% to 8.4 Mt. Canadian exports are forecast to decrease due to lower supply. Carry-out stocks are forecast to decrease to a low level. The average price, over all types, sizes and grades, is forecast to increase due to the lower supply.

MUSTARD SEED

Production and supply increased as a 7% decrease in seeded area was more than offset by higher yields. Production increased for all types, yellow, brown and oriental. The average quality is significantly lower than in 2003-04 and a significant portion of the carry-in stocks were low quality seed. In the US, production of the yellow type decreased. Canadian exports are expected to increase because of stronger demand and lower prices. Carry-out stocks are forecast to increase, with a s/u ratio of 64%. The average price, over all types and grades, is forecast to decrease due to the higher supply.

CANARY SEED

Production and supply increased, due to a 42% increase in seeded area, higher yields

and higher carry-in stocks. World supply increased by 47% to 410,000 t. Canadian exports are expected to increase because of higher supply and lower prices. Carry-out stocks are forecast to increase, with a stocks-to-use ratio of 62%. The average price is forecast to decrease because of the higher supply.

SUNFLOWER SEED

Production and supply fell sharply, due to a 27% decrease in seeded area, higher abandonment and lower yields. Production decreased for both types, confectionary and oilseed. The average quality is significantly lower than in 2003-04. In the US, harvested area, production and supply decreased for both types. World supply decreased by 4% to 26.7 Mt. Canadian exports and domestic use are forecast to decrease sharply due to the lower supply. The average price, over both types and all grades, is forecast to increase due to the lower supply.

BUCKWHEAT

Production fell sharply due to a slight decrease in seeded area, higher abandonment and lower yields. World supply increased by 10% to 2.95 Mt. Canadian exports and domestic use are forecast to decrease due to the lower supply, while carry-out stocks decrease to a negligible level. The average price, over all grades and markets, is forecast to be the same as in 2003-04, as pressure from higher world supply is offset by lower Canadian supply.

FURTHER INFORMATION:

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CANADA: PULSE AND SPECIAL CROPS SUPPLY AND DISPOSITION

January 14, 2005

Grain and Crop Year (a)	Harvested Area 000 ha	Yield t/ha	Production	Imports (b)	Total Supply	Exports (b)	Total Domestic Use (d)	Carry-out Stocks	Average Price (e) \$/t
----- thousand metric tonnes -----									
Dry Peas									
2001-2002	1,285	1.57	2,023	27	2,245	1,381	589	275	190
2002-2003	1,050	1.30	1,365	41	1,681	628	743	310	210
2003-2004	1,271	1.67	2,124	24	2,458	1,317	936	205	175
2004-2005f	1,345	2.48	3,338	20	3,563	1,800	1,063	700	120-150
2005-2006f	1,355	2.12	2,875	20	3,595	1,850	1,145	600	120-150
Lentils									
2001-2002	664	.85	566	6	828	478	219	131	320
2002-2003	387	.91	354	9	494	320	119	55	390
2003-2004	536	.97	520	5	580	368	174	38	420
2004-2005f	750	1.28	961	5	1,004	550	294	160	300-330
2005-2006f	715	1.17	840	5	1,005	570	245	190	315-345
Dry Beans									
2001-2002	175	1.70	298	42	390	263	97	30	725
2002-2003	219	1.89	414	40	484	297	117	70	445
2003-2004	167	2.13	356	31	457	344	83	30	495
2004-2005f	126	1.75	220	35	285	205	70	10	655-685
2005-2006f	185	1.84	340	30	380	285	75	20	525-555
Chickpeas									
2001-2002	467	.97	455	12	497	146	211	140	380
2002-2003	154	1.01	156	9	305	105	140	60	300
2003-2004	63	1.08	68	2	130	74	36	20	330
2004-2005f	39	1.31	51	5	76	35	36	5	365-395
2005-2006f	50	1.20	60	5	70	35	30	5	370-400
Mustard Seed									
2001-2002	158	.66	105	3	213	171	n/a	33	685
2002-2003	255	.60	154	9	196	114	22	60	595
2003-2004	328	.69	226	2	288	121	75	92	390
2004-2005f	304	1.00	305	2	399	160	84	155	305-335
2005-2006f	230	.80	185	2	342	170	77	95	340-370
Canary Seed									
2001-2002	163	.70	114	0	184	134	20	30	660
2002-2003	227	.78	176	0	206	164	22	20	575
2003-2004	243	.93	226	0	246	170	n/a	67	345
2004-2005f	318	.94	300	0	367	180	47	140	225-255
2005-2006f	260	.94	245	0	385	185	50	150	225-255
Sunflower Seed									
2001-2002	67	1.55	104	29	179	92	65	22	355
2002-2003	95	1.65	157	21	200	105	60	35	440
2003-2004	115	1.30	150	16	201	96	80	25	405
2004-2005f	59	.92	54	25	104	40	59	5	475-505
2005-2006f	95	1.47	140	15	160	80	70	10	410-440
Buckwheat									
2001-2002	14	1.14	16	1	17	6	8	3	325
2002-2003	12	1.00	12	1	16	6	7	3	340
2003-2004	9	1.11	10	1	14	5	7	2	355
2004-2005f	7	.71	5	1	8	2	6	0	340-370
2005-2006f	9	1.00	9	1	10	4	6	0	340-370
Total Pulse And Special Crops (c)									
2001-2002	2,993	1.23	3,681	120	4,553	2,671	1,218	664	
2002-2003	2,399	1.16	2,788	130	3,582	1,739	1,230	613	
2003-2004	2,732	1.35	3,680	81	4,374	2,495	1,400	479	
2004-2005f	2,948	1.78	5,234	93	5,806	2,972	1,659	1,175	
2005-2006f	2,899	1.62	4,694	78	5,947	3,179	1,698	1,070	

(a) August-July crop year.

(b) Excludes products.

(c) Includes Pulse Crops (dry peas, lentils, dry beans, chickpeas) and Special Crops (mustard seed, canary seed, sunflower seed, buckwheat)

(d) Includes food, feed, seed, waste and dockage.

(e) Producer price, FOB plant. Average over all types, grades and markets.

f: forecast, Agriculture and Agri-Food Canada, January 14, 2005

n/a Total domestic use is calculated residually. Based on current data on exports and carry-out stocks, it appears that Statistics Canada's production estimate may be low or carry-out stocks high resulting in a very low residual.

Source: Statistics Canada and industry consultations.

A. SELLING PRICE OF BULK FEED INGREDIENTS AT SELECTED POINTS

January 10, 2005

SELECTED POINT	REFERENCE PERIOD	PRICE BASIS	WHEAT (1)	OATS	BARLEY	CORN	PRICE BASIS	SOYBEAN MEAL	CANOLA MEAL	MILL-FEEDS	MEAT MEAL	FISH MEAL	ANIMAL FAT	MEAT MEAL	GLUTEN FEED	FEED PEAS	DEHY ALFALFA	FEATHER MEAL
Vancouver	January 10, 2005	FOB	122.00	N/A	125.00	143.50		267.50	158.00	115.00		837.50	500.00					325.00
BC (4) (7)	January 4, 2005	FOB	122.00	N/A	125.00	145.50		262.00	162.50	112.00		150.00	535.00					300.00
Calgary	January 10, 2005	FOB	104.00	N/A	112.00	138.00		262.00			125.00	975.00	535.00					300.00
AB (4)	January 4, 2005	FOB	104.00	N/A	110.00	140.00		265.50	N/A		165.00	N/A	535.00					350.00
Saskatoon SK	January 10, 2005	FOB	83.50	130.00	91.00	134.00		265.50	N/A		140.00	N/A	535.00			115.33		350.00
(4)	January 4, 2005	FOB	83.50	123.00	93.50	135.00		266.50	N/A		290.00	1012.50	515.00					350.00
Winnipeg MB	January 10, 2005	FOB	128.50	140.00	110.00	120.00		245.00	N/A		290.00	972.50	515.00					315.00
(4) (9)	January 4, 2005	In-Store	102.00	N/A	110.50	117.00												
Thunder Bay ON	January 10, 2005	In-Store	101.00	N/A	109.95													
(8)	January 4, 2005	On Board				99.11												
Lake Ports USA	January 10, 2005	Vessel				103.82												
(3)	January 4, 2005	In-Store	132.00	205.00	150.00													
Bay Ports ON	January 10, 2005	In-Store	132.00	205.00	150.00													
ON	January 4, 2005	Track				105.49												
Chatham ON	January 10, 2005					104.38												
Toronto ON	January 4, 2005	N/A					FOB	251.10	#N/A		168.00	N/A	460.00	425.00	114.00			265.00
(5)	January 10, 2005	N/A						242.29	#N/A		168.00	N/A	460.00	425.00	114.00			285.00
Hamilton ON	January 4, 2005					107.50												
ON	January 10, 2005	FOB				101.00												
Eastern ON	January 4, 2005																	
London ON	January 10, 2005	FOB																
ON	January 4, 2005	FOB																
Port Colborne ON	January 10, 2005	FOB																
ON	January 4, 2005	FOB																
Cardinal ON	January 10, 2005																	
ON	January 4, 2005																	
Montreal QC	January 10, 2005		133.00	150.00	149.00	129.00		258.57	177.88	87.33	168.00	850.00	424.00	425.00	114.00			270.00
(5)	January 4, 2005		133.00	125.00	150.00	128.00	FOB	252.70	176.13	96.67	168.00	850.00	413.00	425.00	114.00			310.00
Trois-Rivières QC	January 10, 2005	In-Store	134.00		147.00	133.75												
QC	January 4, 2005		133.50		149.90	131.69												
St. Jean QC (2)	January 10, 2005	FOB	150.57	122.40	140.45	122.68		263.42										
St. Hyacinthe QC	January 4, 2005		131.00	N/A	165.42	128.48		251.19										
Quebec QC	January 10, 2005	In-Store	130.83	N/A	164.63	120.37		251.11										
QC	January 4, 2005	Track	156.19		166.48	166.23		279.81	203.63		223.55		505.00					310.00
Trois-Rivières QC	January 10, 2005	Water	156.19		166.48	166.53	FOB	280.86	203.63		223.55		505.00					310.00
ON	January 4, 2005																	
Trois-Rivières QC	January 10, 2005	Water																
ON	January 4, 2005																	
Trois-Rivières QC	January 10, 2005	Water																
ON	January 4, 2005																	
Trois-Rivières QC	January 10, 2005	Water																
ON	January 4, 2005																	
Trois-Rivières QC	January 10, 2005	Water																
ON	January 4, 2005																	
Trois-Rivières QC	January 10, 2005	Water																
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Trois-Rivières QC	January 10, 2005	Water																
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Trois-Rivières QC	January 10, 2005	Water																
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Trois-Rivières QC	January 10, 2005	Water																
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Trois-Rivières QC	January 10, 2005	Water																
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Trois-Rivières QC	January 10, 2005	Water																
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Trois-Rivières QC	January 10, 2005	Water																
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Trois-Rivières QC	January 10, 2005	Water																
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Trois-Rivières QC	January 10, 2005	Water																
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Trois-Rivières QC	January 10, 2005	Water																
ON	January 4, 2005																	
Trois-Rivières QC	January 10, 2005	Water																
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Trois-Rivières QC	January 10, 2005	Water																
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Trois-Rivières QC	January 10, 2005	Water																
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Trois-Rivières QC	January 10, 2005	Water																
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Trois-Rivières QC	January 10, 2005	Water																
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Trois-Rivières QC	January 10, 2005	Water																
ON	January 4, 2005																	
Trois-Rivières QC	January 10, 2005	Water																
ON	January 4, 2005																	
Trois-Rivières QC	January 10, 2005	Water																
ON	January 4, 2005																	
Trois-Rivières QC	January 10, 2005</																	

B. CASH PRICES AND REPLACEMENT VALUES

January 10, 2005

PRAIRIE GRAINS

Selected Points	Price Basis		This week 10-Jan-05	Last week 29-Dec-04	Month ago 13-Dec-04	Year ago 12-Jan-04
From: Thunder Bay(WCE) (2)	In-Store	Wheat	103.00	101.00	100.00	161.00
(CBOT)		Oat	159.40	156.40	154.40	155.00
(Lethbridge)		Barley	113.00	112.00	112.50	129.00
To: Bayport, ON (1)	In-store	Wheat	126.61	124.61	123.61	184.61
		Oat	N/A	N/A	N/A	N/A
		Barley	140.39	139.39	139.89	156.39
Montreal, QC (1)	In-store	Wheat	131.03	129.03	128.03	189.03
		Oat	N/A	N/A	N/A	N/A
		Barley	145.31	144.31	144.81	161.31
Moncton, NB	Truck via Halifax	Wheat	153.25	151.25	150.25	211.25
		Oat	N/A	N/A	N/A	N/A
		Barley	169.50	168.50	169.00	185.50
Truro, NS	Truck via Halifax	Wheat	147.22	145.22	144.22	205.22
		Oat	N/A	N/A	N/A	N/A
		Barley	167.00	166.00	166.50	183.00
Halifax, NS (1)	In-store	Wheat	138.28	136.28	135.28	196.28
		Oat	N/A	N/A	N/A	N/A
		Barley	153.30	152.30	152.80	169.30
Stephenville, NL	Track / Truck via Sydney	Wheat	201.63	199.63	198.63	259.63
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A
Melfort, SK		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Bayport, ON		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Montreal, QC		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Moncton, NB		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Truro, NS		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track / Truck via Sydney	Barley	N/A	N/A	N/A	N/A
Stephenville, NL		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A

Selected Points	Price Basis		This week 10-Jan-05	Last week 29-Dec-04	Month ago 13-Dec-04	Year ago 12-Jan-04
Corn						
From: US Lake Port	On Board Vessel		98.99	105.31	105.03	126.41
To: Montreal, QC (1)	In-store		118.03	124.35	124.07	145.45
From: Chicago (IL)	Track		104.82	104.82	103.10	128.91
To: Montreal, QC	Track		133.68	133.68	131.96	157.77
From: Chatham, ON	Track		105.49	106.74	106.33	139.25
To: Montreal, QC	Track		129.36	130.61	130.20	163.12

Soymeal 48% Protein

From: Hamilton, ON			251.10	251.10	243.61	319.30
To: Montreal, QC	Track		275.43	275.43	267.94	343.63
Moncton, NB	Track		294.18	294.18	286.69	362.38
Truro, NS	Track		297.40	297.40	289.91	365.60
Stephenville, NL	Track / Truck via Sydney		346.03	346.03	338.54	414.23

1. Prices include ONE month of storage and interest charges n/a = not available

2. Thunder Bay prices are based on the Winnipeg Commodities Exchange market close (Cash price)

Source: Market Analysis Division, Agriculture and Agri-Food Canada

Contact: Valérie Chartier: A/Statistical Clerk (204) 983-0581 Fax: (204) 983-5524 e-mail: chartierv@agr.gc.ca

Footnotes: All prices quoted in Canadian dollars per metric tonne.

Grain grades (unless otherwise specified) are: Canada Western Feed Wheat, Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn.

Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec.

Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable

A. SELLING PRICE OF BULK FEED INGREDIENTS AT SELECTED POINTS

SELECTED POINT	REFERENCE PERIOD	PRICE BASIS	(1) WHEAT	OATS	BARLEY	CORN	PRICE BASIS	SOYBEAN MEAL	CANOLA MEAL	MILL-FEEDS	MEAT MEAL	FISH MEAL	ANIMAL FAT	GLUTEN MEAL	GLUTEN FEED	FEED PEAS	DEHY ALFALFA	FEATHER MEAL
Vancouver	December 29, 2004	FOB	122.00	N/A	125.00	144.00		261.00	165.00	112.00		837.50	500.00					325.00
BC	(4) (7) December 29, 2004	FOB	122.00	N/A	125.00	145.50		262.00	162.50	112.00		837.50	500.00					325.00
Calgary	(4) December 29, 2004	FOB	104.00	N/A	110.00	140.00		260.50			125.00	975.00	535.00					300.00
AB	(4) December 29, 2004	FOB	104.00	N/A	110.00	140.00		258.00			125.00	975.00	535.00					300.00
Saskatoon	(4) December 29, 2004	FOB	83.50	123.00	93.50	135.00		265.00	N/A		140.00	N/A	535.00			115.33		350.00
SK	(4) December 29, 2004	FOB	83.50	123.00	93.50	135.00		266.50	N/A		140.00	N/A	535.00			115.33		350.00
Winnipeg	(4) (9) December 29, 2004	FOB	126.50	140.00	110.00	117.00		243.50	N/A		290.00	972.50	515.00					315.00
MB	(4) (9) December 29, 2004	FOB	128.50	140.00	111.00	117.00		245.00	N/A		290.00	972.50	515.00					315.00
Thunder Bay	(8) December 29, 2004	In-Store	103.00	N/A	109.95													
ON	December 29, 2004		101.00	N/A	109.95													
Lake Ports	(8) December 29, 2004	On Board				105.03												
USA	December 29, 2004	Vessel				103.82												
Bay Ports	(3) December 29, 2004	In-Store	132.00	205.00	150.00													
ON	December 29, 2004		132.00	205.00	150.00													
Chatham	December 29, 2004	Track				106.33												
ON	December 29, 2004					104.38												
Toronto	December 29, 2004	N/A					FOB				168.00	N/A	460.00	425.00	114.00		265.00	300.00
ON	(5) December 29, 2004	N/A						243.61	#N/A		168.00	N/A	460.00	425.00	114.00		285.00	300.00
Hamilton	December 29, 2004																	
ON	December 29, 2004							242.29										
Eastern	December 29, 2004	FOB				102.50												
ON	December 29, 2004					101.00												
London	December 29, 2004	FOB																
ON	December 29, 2004																	
Port Colborne	December 29, 2004	FOB																
ON	December 29, 2004																	
Cardinal	December 29, 2004	FOB																
ON	December 29, 2004																	
Montreal	December 29, 2004		133.00	150.00	149.00	128.00		251.83	176.25	93.67	168.00	850.00	419.00	425.00	114.00		270.00	310.00
QC	(5) December 29, 2004		133.00	125.00	150.00	128.00	FOB	252.70	176.13	96.67	168.00	850.00	413.00	425.00	114.00		270.00	310.00
Trois-Rivières	December 29, 2004	In-Store	133.50		147.90	105.11												
QC	December 29, 2004		133.50		149.90	131.69												
St. Jean QC (2)	December 29, 2004	FOB	153.57	122.89	144.35	124.41		253.14										
St. Hyacinthe QC	December 29, 2004		150.57	122.40	147.91	122.69		251.19										
Quebec	December 29, 2004	In-Store	132.50	N/A	163.88	120.70		250.72										
QC	December 29, 2004		130.83	N/A	164.63	120.37		251.11										
Truro	December 29, 2004	Track	156.19		166.48	166.59		279.81	203.63		223.55		505.00					310.00
NS	December 29, 2004		156.19		166.48	166.53	FOB	280.86	203.63		223.55		505.00					310.00
Truro	December 29, 2004	Water	N/A	N/A	N/A	N/A												
NS	December 29, 2004	& Truck	N/A	N/A	N/A	N/A												
Halifax	December 29, 2004	In-Store	N/A	N/A	N/A	#N/A		303.00										
NS	December 29, 2004		N/A	N/A	N/A	#N/A		306.70										
(6)	December 20, 2004																	

Source: Market Analysis Division, Agriculture and Agri-Food Canada. Thunder Bay prices are based on the Winnipeg Commodity Exchange (WCE) market close
 Contact: Valerie Charlier AStatistical Clerk Telephone: (204) 983-0581 Fax: (204) 983-5524 Email: charlier@agr.gc.ca
 US\$1.00=CANS1.2295, closing date December 24, 2004
 N/A = not available

Footnotes: All prices in Canadian dollars per metric tonne based on survey respondents.

Grain grades (unless otherwise specified) are: Western or Eastern Feed Wheat, Feed Oats, No.1 Canada Western or Eastern Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn, Soybean Meal 48 % Protein. Canola Meal based on minimum standard of 35% Protein. Fish Meal: white fish and/or herring meal. Gluten Meal 60% Protein. Gluten Fed 21% Protein.

(1) Wheat 3CWRS (2) Canadian Corn #3 or #2 (3) US Corn (4) Fish Meal from West Coast 63% Protein (5) Fish Meal 60% Protein (6) Herring Fish Meal (7) Fraser Valley (8) Wheat & Barley (Basis - Cash Price WCE) (9) Oats 3CW

B. CASH PRICES AND REPLACEMENT VALUES

December 29, 2004

PRAIRIE GRAINS

Selected Points	Price Basis		This week 29-Dec-04	Last week 13-Dec-04	Month ago 29-Nov-04	Year ago 29-Dec-03
From: Thunder Bay(WCE) (2)	In-store	Wheat	101.00	100.00	82.20	159.80
(CBOT)		Oat	156.40	154.40	149.60	143.50
(Lethbridge)		Barley	112.00	112.50	114.00	130.00
To: Bayport, ON (1)	In-store	Wheat	124.61	123.61	105.81	183.41
		Oat	N/A	N/A	N/A	N/A
		Barley	139.39	139.89	141.39	157.39
Montreal, QC (1)	In-store	Wheat	129.03	128.03	110.23	187.83
		Oat	N/A	N/A	N/A	N/A
		Barley	144.31	144.81	146.31	162.31
Moncton, NB	Truck via Halifax	Wheat	151.25	150.25	132.45	210.05
		Oat	N/A	N/A	N/A	N/A
		Barley	168.50	169.00	170.50	186.50
Truro, NS	Truck via Halifax	Wheat	145.22	144.22	126.42	204.02
		Oat	N/A	N/A	N/A	N/A
		Barley	166.00	166.50	168.00	184.00
Halifax, NS (1)	In-store	Wheat	136.28	135.28	117.48	195.08
		Oat	N/A	N/A	N/A	N/A
		Barley	152.30	152.80	154.30	170.30
Stephenville, NL	Track / Truck via Sydney	Wheat	199.63	198.63	180.83	258.43
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A
Melfort, SK		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Bayport, ON		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Montreal, QC		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Moncton, NB		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Truro, NS		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track / Truck via Sydney	Barley	N/A	N/A	N/A	N/A
Stephenville, NL		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A

Selected Points	Price Basis		This week 29-Dec-04	Last week 13-Dec-04	Month ago 29-Nov-04	Year ago 29-Dec-03
Corn						
From: US Lake Port	On Board Vessel		105.03	105.03	97.66	126.29
To: Montreal, QC (1)	In-store		124.07	124.07	116.70	145.33
From: Chicago (IL)	Track		103.10	103.10	81.15	128.87
To: Montreal, QC	Track		131.96	131.96	110.01	157.73
From: Chatham, ON	Track		106.33	106.33	98.38	135.43
To: Montreal, QC	Track		130.20	130.20	122.25	159.30

Soymeal 48% Protein						
From: Hamilton, ON			243.61	243.61	231.70	341.70
To: Montreal, QC	Track		267.94	267.94	256.03	366.03
Moncton, NB	Track		286.69	286.69	274.78	384.78
Truro, NS	Track		289.91	289.91	278.00	388.00
Stephenville, NL	Track / Truck via Sydney		338.54	338.54	326.63	436.63

1. Prices include ONE month of storage and interest charges n/a = not available
 2. Thunder Bay prices are based on the Winnipeg Commodities Exchange market close (Cash price)

Source: Market Analysis Division, Agriculture and Agri-Food Canada

Contact: Valérie Chartier: A/Statistical Clerk (204) 983-0581 Fax: (204) 983-5524 e-mail: chartierv@agr.gc.ca

Footnotes: All prices quoted in Canadian dollars per metric tonne.

Grain grades (unless otherwise specified) are: Canada Western Feed Wheat, Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn.

Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec.

Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable



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CANADIAN PULSE AND SPECIAL CROPS INDUSTRY: SITUATION AND OUTLOOK

Canadian pulse and special crops production more than quadrupled since 1991-1992 as producers diversified into alternative crops to improve their income. The increased production resulted in an expansion of the pulse and special crops handling, marketing and processing industry. This generated increased employment and secondary benefits, especially for the rural areas of Canada, where most of the expansion took place. This issue of the *Bi-weekly Bulletin* examines the situation and outlook for the Canadian pulse and special crops industry.

PRODUCTION

Types of Pulse and Special Crops Produced

Canadian pulse and special crop production is very diversified with more than twenty crops produced. The term *pulse crops* refers to dry peas, lentils, dry beans, chickpeas and fababeans. Special crops include mustard seed, canary seed, sunflower seed, buckwheat, caraway seed, coriander seed, borage seed, safflower seed, millet and hemp.

This article concentrates on the four largest pulse crops, dry peas, lentils, dry beans and chickpeas, and the four largest special crops, mustard seed, canary seed, sunflower seed and buckwheat, produced in Canada. Canadian pulse and special crop production is concentrated in Alberta, Saskatchewan, Manitoba and Ontario. Production of dry peas, lentils, chickpeas, mustard seed, and canary seed is concentrated in Saskatchewan, whereas production of sunflower seed and buckwheat is concentrated in Manitoba. Dry bean production is mostly located in Manitoba, Ontario and Alberta.

Within the major crop categories, there are several types produced, including the following: **dry peas** - yellow, green, small yellow, maple, marrowfat; **lentils** - large green, medium green, small green, red, dark green speckled, brown; **dry beans** - white pea, pinto, black, dark red kidney, light red

kidney, white kidney, cranberry, small red, Great Northern, pink, brown, azuki; **chickpeas** - large kabuli, small kabuli, desi; **mustard seed** - yellow, oriental, brown; **sunflower seed** - confectionery, oilseed; **canary seed/Canario**. Canario is a glabrous or hairless type of canary seed developed in Canada.

Growth in Pulse and Special Crops Seeded Area and Production

Canadian seeded area for the eight major pulse and special crops increased by 256% from 0.93 million hectares (Mha) in 1991-1992 to 3.31 Mha in 2004-2005. During this period, total pulse crops seeded area increased by 311% from 0.62 Mha to 2.54 Mha and total special crops seeded area increased by 146% from 0.31 Mha to 0.77 Mha.

Canadian production of the eight major pulse and special crops increased by 313% from 1.27 Mt (million tonnes) in 1991-1992 to 5.23 Mt in 2004-2005. Although production trended upwards, there were some years of lower production caused mainly by unfavourable weather. During the 1991-1992 to 2004-2005 period, wheat production decreased by 19%, coarse grains production increased by 21%, and oilseeds production increased by 79%. Pulse and special crops share of the total Canadian grains, oilseeds, and pulse and special crops production increased from 2% in 1991-1992 to 8% in 2004-2005. Dry peas accounted for most of the growth in production, increasing by 714% between 1991-1992 and 2004-2005, while lentil production increased by 180%.

Agronomic Limitations and Benefits of Pulse and Special Crops Production

Production of the various crops is limited by climatic and soil conditions. Crops such as dry beans and chickpeas require longer frost free periods and more heat than crops such as dry peas and mustard seed. Crops such as dry beans need adequate moisture later in the summer than shorter season crops. Crops such as lentils and chickpeas do not tolerate excessive moisture. Therefore they are best suited to the brown and dark brown soil zones in Saskatchewan and Alberta. A further limitation for some crops is the limited availability of products for weed control.

Pulse and special crops fit well in rotations with other crops. Their production increase has proven to be valuable in crop rotations which help to control weeds, diseases and insects, and improve soil texture and fertility. Pulse crops, when properly inoculated, are able to fix a large portion of their nitrogen requirements. The nitrogen fixed by pulse crops, which is not removed with the harvesting of the seed, is also available for use by other crops the following year. Growing pulse crops in a rotation can result in yield increases for following crops. However, the nitrogen fixing ability of pulse crops varies, with fababeans and dry peas having the highest ability and dry beans the lowest.

MARKETING

At the world level, Canada is the largest producer of canary seed and dry peas and the

largest exporter of dry peas, lentils, mustard seed and canary seed.

Marketing Methods

In Canada, there are approximately 100 dealers buying pulse and special crops from producers, ranging from small family-owned businesses to large companies. Since many dealers have more than one location, the total number of plants receiving at least some pulse and special crops is in excess of 300.

There are no futures contracts available for pulse and special crops in Canada.

Production contracts are available before seeding which normally guarantee a price for part of the production. Deferred delivery or forward pricing contracts are available for most pulse and special crops, under which a producer can lock-in a price for future delivery. The remainder is sold at spot prices at the time of delivery. There are also several voluntary marketing pools. A more recent innovation in the marketing of pulse and special crops has been trading on the Internet where bid and ask prices, delivery locations and time frames for delivery are posted. The buyer and seller then negotiate final conditions before the sale is completed.

Price Determination

An important factor in price determination to the producer is the cost of freight to domestic and export markets, since the price paid to the producer depends on the price received by the dealer, less freight and handling charges. Since the majority of Canadian pulse and special crops are exported, Canadian prices are dependent on the value of the Canadian dollar and world supply and demand. For feed peas, the price is also influenced by the prices of alternative sources of protein meal and feed grain. Regional supply and demand considerations also affect the price received by the producer.

Handling and Transportation

Pulse and special crops are delivered by the producer to the plant or the dealer sends a truck to load the seed at the farm. The plants are normally designed to handle one or more kinds of crops. In some cases, such as for feed peas, grain elevators also accept deliveries. Deliveries are made throughout the year based on spot prices or conditions set under production or deferred delivery contracts.

Transportation from the dealer's plant to the customer in the same region is generally by truck. Railways are used extensively for shipments to customers in North America and for shipments to ports for overseas customers. Feed peas, sunflower seed and some food peas, lentils, chickpeas, canary seed and mustard seed are shipped bulk in railcars, but the rest are mostly shipped in containers. The containers can be filled bulk or with seed packed in bags. The containers are trucked to the railway's closest container terminal. They are then transported by rail directly to the customer, if located in North America, or to container terminals located at ports, for overseas shipments. Containers can also be trucked to the appropriate port terminal for loading on ships. Some crops are shipped to ports in bags loaded in rail box cars or in trucks, bulk in hopper cars, or in intermodal domestic containers. They are then transloaded into ocean-going containers at ports.

Facilities have been developed at the port of Vancouver for the soft handling of bulk dry peas, lentils and chickpeas. Canadian pulse and special crops are normally shipped through Canadian ports along the west coast, Vancouver and Prince Rupert, Thunder Bay, Montreal and other ports along the St. Lawrence Seaway, and through the northern port of Churchill on Hudson Bay.

Domestic Use

The largest domestic use of pulse and special crops is for livestock feed. About 90% of the domestic use of dry peas is for livestock feed, mainly in the Prairie provinces and mainly for feeding hogs. In addition, some low quality lentils, chickpeas, fababeans and dry beans are also fed to livestock. Another significant use is for bird seed. Canary seed is the main crop used for this purpose, along with some sunflower seed, safflower seed, dry peas, buckwheat and millet. The food market consumes a small but significant portion of pulse crops, mustard seed, sunflower seed and buckwheat. An additional domestic use is as seed for planting.

Exports

Canada exports pulse and special crops throughout the world. About half of the dry pea exports are for livestock feed and half for food. Canary seed is exported for bird seed. The remainder of the pulse and special crops are exported for food. Dry peas are exported mainly to Europe (largely for livestock feed) and to Asia (principally for food), although North and South America are also important destinations. Lentils are exported mainly to Europe, the Middle East, northern Africa, and North and South America.

Dry beans are exported largely to Europe and North and South America. Most chickpeas are exported to the Indian sub-continent, with the balance going to Europe, the Middle East, northern Africa and North and South America. Exports of mustard seed are primarily to Europe, Asia, and the US. Canary seed exports are largely to Europe and North and South America. Sunflower seeds are exported mainly to the US, with the balance going mainly to Europe, the Middle East and central America. Buckwheat is exported primarily to Japan, the US, and Europe. There are also exports of products processed from special crops, such as bird seed mixtures and roasted sunflower seeds, and pulse and special crops seed for planting.

Canadian export earnings from the eight major pulse and special crops increased rapidly from \$0.3 billion in 1991-1992 to a peak of \$1.15 billion in 2000-2001 and 2002-2003. Since then, the value of exports has stabilized at about \$1 billion per year.

Canadian Grain Commission (CGC)

The CGC establishes quality standards for the following Canadian pulse and special crops: dry peas, lentils, dry beans, chickpeas, fababeans, mustard seed, sunflower seed, buckwheat and safflower seed. Additionally, the CGC grades and certifies export shipments. For canary seed, the CGC does not set grading standards, but analyses samples for dockage.

The CGC also issues licenses for grain companies, although not all pulse and special crops dealers are licensed by the CGC. Grain companies licensed by the CGC are required to provide security, in the form of a bond or letter of credit, to the CGC to cover their liabilities to producers in the case of financial failure. The CGC fixes the amount of security to be provided based on the liability of the grain company to eligible producers. Producers are not charged directly to cover these costs, but it is reasonable to assume that the cost is passed on by the grain companies to producers. Western Canadian producers selling pulse and special crops which are covered under the Canada Grain Act are eligible for compensation from the security, if the grain company runs into financial problems, up to the value of the bond.

Pulse and special crops covered under the Canada Grain Act are: dry peas, lentils, dry

beans, chickpeas, fababeans, mustard seed, sunflower seed, buckwheat and safflower seed.

For further information on grain company licensing, or to access the Official Grain Grading Guide, please visit the CGC website: www.grainscanada.gc.ca

PROCESSING

The Canadian pulse and special crops processing industry is very diversified and located throughout most regions of Canada. Primary processing involves receiving, cleaning and quality sorting of seed. Secondary processing involves preparing seed for use by the consumer and normally secondary processing occurs in a different plant from primary processing.

The largest secondary processor is the livestock feed industry, which consumes an increasing volume of dry peas, as well as some lentils, chickpeas and fababeans, mainly in the Prairie provinces. One use of dry peas in livestock feed is a mixture of two-thirds ground peas and one-third canola meal. Although canola meal is an excellent source of protein, it is low in digestible energy. Peas have high energy digestibility, and the amino acid profile of peas, which is high in lysine, complements the amino acid profile of canola meal, which is high in methionine and cystine. These amino acids are essential in diets for good growth. Another feed product is an extruded blend of ground dry peas and canola seed. In addition to the two ingredients complementing each other, the high oil content from the canola seed is a readily available source of energy.

The bird seed industry uses canary seed, as well as sunflower seed, safflower seed, millet, buckwheat and dry peas in feed mixtures for pet and wild birds.

Secondary processing includes the splitting of dry peas, lentils and chickpeas; as well as canning, dry packaging, and the production of soup mixes, dehydrated products, gluten free flour, precooked and individually quick frozen products, soups, stews, and snack food. Dry peas and beans are also processed into components such as pea fibre, flour, starch and protein concentrate. Additional products of dry beans are refried beans and bean paste. Mustard seed is

processed into flour and condiments. Confectionery sunflower seeds are used extensively for snack food, such as roasted seeds, and dehulled for use in baking. Buckwheat is milled into flour, groats and grits which are then used for baking, noodles, hot breakfast cereal or pancake mixes.

ECONOMIC IMPACT

Adaptation and diversification into pulse and special crops production has provided producers with a potentially higher priced alternative to traditional cereal grain crops and allowed them to spread risk over a greater number of crops to improve their earnings. Producers have become capable growers of pulse and special crops, allowing them to diversify even more when new markets arise. An additional benefit has been, via alternative crop rotation patterns, improvements in weed, insect and disease control and the resulting savings in input costs. Also, nitrogen fertilizer costs have been reduced in pulse crops production.

Farm cash receipts for pulse and special crops increased by 223% from 1991 to \$0.83 billion in 2003, while receipts fell by 7% to \$2.47 billion for wheat, increased by 27% to \$1.44 billion for coarse grains and increased by 129% to \$2.72 billion for oilseeds. However, the receipts for pulse and special crops are only for the seven largest crops and the total receipts would have been higher if all pulse and special crops were included.

The increase in production has also benefited the general economy through the handling, processing, and transportation industries, mostly in rural communities. Direct employment by pulse and special crops dealers is estimated at about 2,500 employees. In addition, pulse and special crops contribute to employment in grain elevators, in transportation, transloading, port terminals, manufacturing of bags and other containers, in secondary processing, in manufacturing of inputs and inoculants for pulse crops, and with suppliers of seed for planting.

2005-2006 OUTLOOK

Canadian production of the eight major pulse and special crops is expected to decrease in 2005-2006 due to a decrease in seeded area and lower trend yields for most crops. For further information and periodic updates please check "Canada: Pulse and Special Crops Outlook" at www.agr.gc.ca/mad-dam/

LONGER TERM OUTLOOK

Production and Use

Canadian seeded area and production of pulse and special crops is expected to continue trending upwards moderately during the next decade because of improved varieties resulting in higher yields, increased seeded area because of the willingness of producers to continue diversifying out of grains in the Prairie provinces, and increasing demand in Canadian and world markets. The level of the increase will depend on returns from pulse and special crops relative to grains and oilseeds, moisture conditions, carry-in stocks, crop rotation considerations and the producers' ability to diversify. Most of the growth is expected to be in Saskatchewan, due to its large land base and the continuing development of varieties suitable for production in that province. Most of the production growth is expected to result from increased seeded area, but average yields are also expected to continue trending upwards.

The US Farm Security and Rural Investment Act of 2002 (FSRIA) included dry peas, lentils and small chickpeas under the loan program for the first time. Since then, US production of dry peas and lentils increased sharply which increased competition for Canadian dry peas and lentils in world markets and pressured Canadian prices. If US production continues to increase, it will further increase competition for Canadian dry peas and lentils, and pressure Canadian prices. Lower Canadian prices would limit the expected upward trend in Canadian production.

The future trends for the ten years following 2005-2006 for specific crops in Canada are as follows:

Dry peas - Production is expected to trend upwards moderately due to increased demand in both feed and food sectors, the development of improved varieties and their fit in rotations with other crops. Canada is expected to continue to be the largest producer and exporter of dry peas in the world. New export markets for feed peas are expected to be developed, especially in eastern Asia.

Lentils - Production is expected to trend upwards moderately with increased world demand, a large area of land suitable for lentil production in the Prairie provinces, especially in Saskatchewan, and the development of

improved varieties, as well as agronomic improvements. Canada is expected to become the largest producer of lentils in the world and to continue to be the largest exporter.

Dry beans - Production is expected to trend upwards moderately, with most of the growth in Manitoba and Saskatchewan.

Saskatchewan is expected to become one of the main dry bean producing provinces, as shorter season varieties become available. The growth is expected to be mainly for the coloured types. Canada's share of world exports is expected to increase, in line with the increased production.

Chickpeas - Production is expected to trend upwards, but the growth in production will depend on the development of shorter season and more disease resistant varieties, which will enable the crop to be grown over a larger area and reduce production risk. Canada is expected to increase its share of world chickpea production and exports.

Mustard seed - Production is expected to increase slowly because the market is limited, but Canada is expected to continue to be the largest exporter.

Canary seed/Canario - Production is expected to increase slowly, unless other uses are developed which increase demand. Research is underway to develop markets for Canario as a human food and for industrial uses, such as cosmetics. If the research efforts are successful, the demand for canary seed will increase faster and lead to larger growth in production.

Sunflower seed - Production of confectionery seed is expected to grow moderately in line with the growth in demand. Oilseed sunflower production is also expected to grow, but the rate of growth will depend on the price for vegetable oil, as well as the growth in demand for bird seed. An additional factor is the growth in demand for NuSun, a mid-oleic sunflower seed, which has a low saturated fat profile. NuSun production has been expanding in the U.S. because of a strong demand for NuSun oil. A continuing strong increase in demand for NuSun oil and attractive prices would result in a faster increase in Canadian oilseed

sunflower production and possibly a return to sunflower seed crushing in Canada.

Buckwheat - Production is expected to grow slowly until new higher yielding and more frost tolerant varieties are commercially available. This development is expected to encourage larger production. Research is underway to develop uses for buckwheat in the pharmaceutical and nutraceutical industries, which is expected to increase the demand for buckwheat.

Other - Production of smaller area special crops such as spices, herbs, spelt, kamut, quinoa and hemp is also expected to increase over the next decade. However, the market for these crops can be oversupplied very quickly. Therefore, they will be important crops to some producers, but the total seeded area is not expected to become large.

Processing

The primary processing industry for pulse and special crops is expected to grow slowly due to the rapid expansion in the late 1990's and early 2000's. The primary processing sector is undergoing consolidation in Saskatchewan due to the rapid growth and lower crop production during 2001-2002 to 2003-2004 caused by unfavourable weather.

The secondary processing sector for pulse and special crops is expected to grow faster than the primary processing sector, as it is not as well developed as the primary sector. Increased secondary processing is expected in all areas, food, feed, bird seed and industrial. The secondary processing sector is expected to become more diversified, with a larger range of products produced. Increased secondary processing is expected to increase domestic consumption and increase exports of semi-processed and consumer ready products.

Identity preservation

In the production and primary processing sectors, identity preservation and traceability for shipments is expected to increase in response to consumer demand.

Research

Research is continuing to develop better varieties, and improve disease, weed and insect control. Research on developing new products from pulse and special crops is also continuing. This includes research on feeding to livestock,

the pharmaceutical and nutraceutical potential, and food and industrial uses. Researchers and industry representatives from Canada and several other countries are in the process of developing international standards for the identification and testing of pulse crops. Testing methods are being developed for such traits as colour, texture, taste, cooking time and splitting and milling ability.

For more information, please contact:

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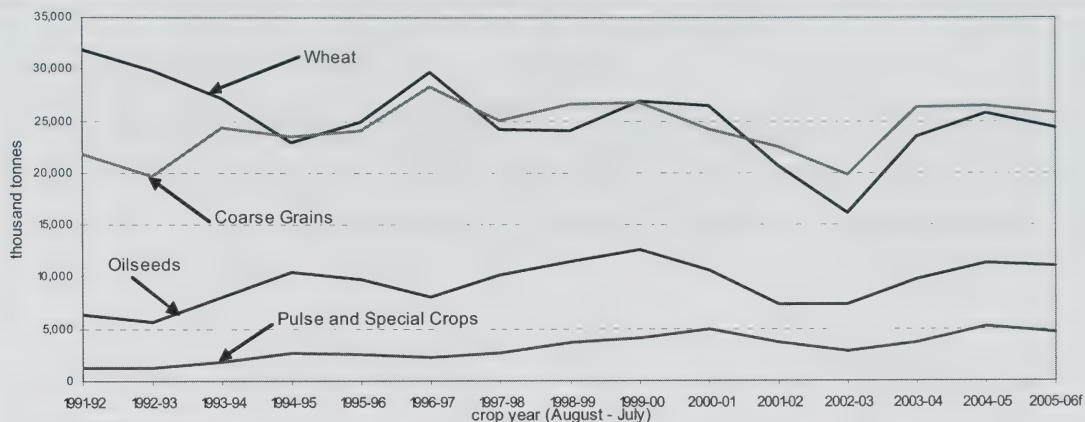
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CANADA: GRAINS, OILSEEDS, AND PULSE AND SPECIAL CROPS PRODUCTION



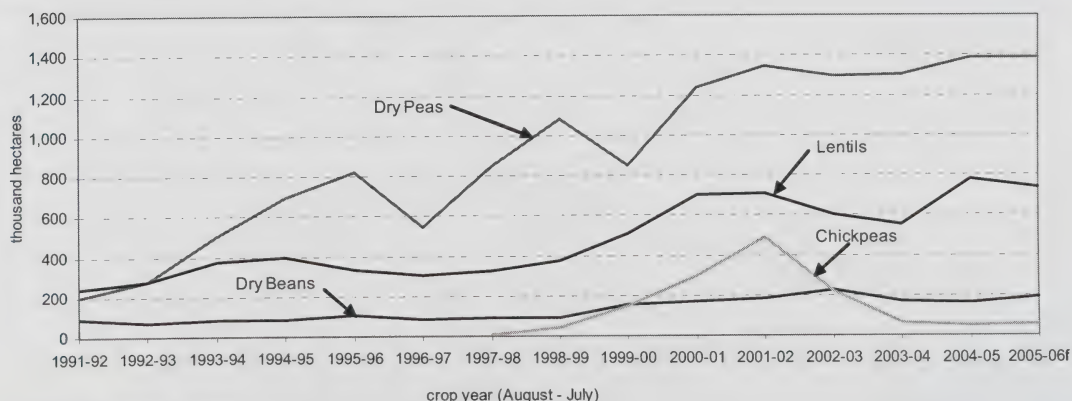
CANADA: PRODUCTION AND VALUE OF EXPORTS - MAJOR PULSE AND SPECIAL CROPS

	Dry Peas	Lentils	Dry Beans	Chickpeas	Mustard Seed	Canary Seed	Sunflower Seed	Buckwheat	Total	Value of Exports* M\$
	..... thousand tonnes.....									
1991-92	410	343	136		121	100	134	23	1,267	317
1992-93	505	349	73		133	124	65	11	1,260	346
1993-94	970	349	131		216	128	79	8	1,881	473
1994-95	1,441	450	171		319	240	117	12	2,750	661
1995-96	1,455	432	203	1	244	155	66	21	2,577	781
1996-97	1,169	403	133	4	231	285	55	22	2,302	690
1997-98	1,747	379	164	15	243	115	65	17	2,745	782
1998-99	2,337	480	189	53	239	235	112	15	3,660	955
1999-00	2,252	724	294	197	306	166	122	13	4,074	1,011
2000-01	2,864	914	268	388	202	171	119	14	4,940	1,152
2001-02	2,023	566	298	455	105	114	104	16	3,681	1,145
2002-03	1,365	354	414	156	154	176	157	12	2,788	916
2003-04	2,124	520	356	68	226	226	150	10	3,680	1,021
2004-05	3,338	961	220	51	305	300	54	5	5,234	1,050f
2005-06f	2,875	840	340	60	185	245	140	9	4,694	1,100f

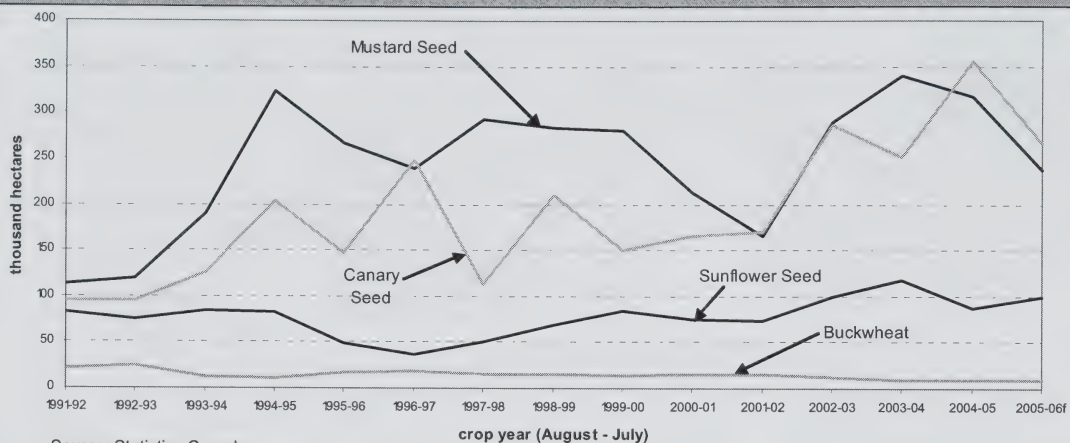
f: AAFC forecast, January 2005

Source: Statistics Canada

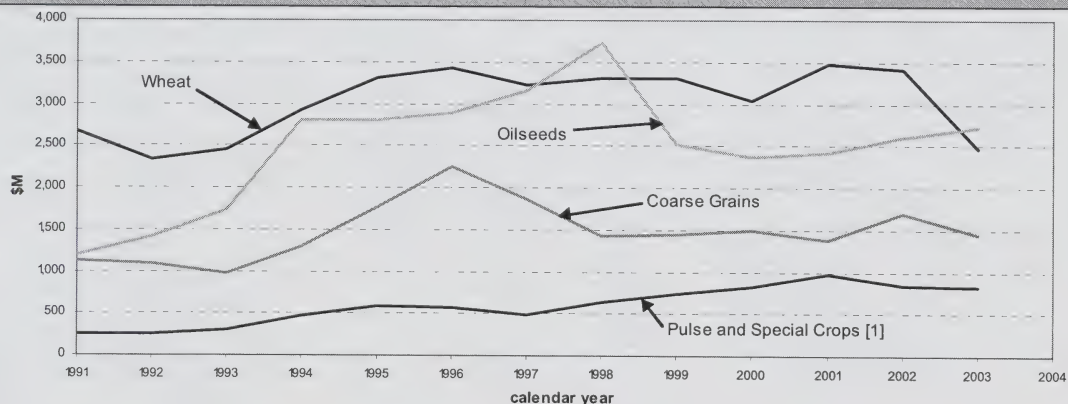
CANADA: PULSE CROPS SEEDING AREA



CANADA: SPECIAL CROPS SEEDING AREA



CANADA: FARM CASH RECEIPTS



CANADA: PULSE AND SPECIAL CROPS SEEDING AREA DISTRIBUTION BY PROVINCE IN 2004-2005

	British Columbia	Alberta	Saskatchewan	Manitoba	Ontario	Quebec	Atlantic Provinces
	.....percent.....						
Dry Peas	*	20	75	4	*	*	*
Lentils		1	99	*			
Dry Beans		12	2	50	31	5	*
Chickpeas		13	87				
Mustard Seed		17	82	1	*		
Canary Seed		1	96	3			
Sunflower Seed	*	2	18	79	*	*	*
Buckwheat	*	*	1	73	21	5	*

*minor area

Source: Statistics Canada and AAFC

CANADA: PULSE AND SPECIAL CROPS PRODUCTION AND EXPORTS SHARE OF WORLD

	Approximate Canadian Share of World	
	Production	Exports
2004-05 crop year	.....percent.....	
Canary Seed	88	90
Mustard Seed	10	60
Dry Peas	27	60
Lentils	25	55
Dry Beans	1	8
Buckwheat	*	5
Chickpeas	*	4
Sunflower Seed	*	2

* less than 1%

Source: AAFC forecast, January 2005

A. SELLING PRICE OF BULK FEED INGREDIENTS AT SELECTED POINTS

January 24, 2005

SELECTED POINT	REFERENCE PERIOD	PRICE BASIS	(1) WHEAT	OATS	BARLEY	CORN	PRICE BASIS	SOYBEAN MEAL	CANOLA MEAL	MILL FEEDS MEAL	MEAT MEAL	FISH MEAL	ANIMAL FAT	GLUTEN MEAL	GLUTEN FEED	FEED PEAS	DEHY ALFALFA	FEATHER MEAL
Vancouver	January 24, 2005	FOB	122.00	N/A	125.00	142.00		264.00	151.00	115.00		850.00	500.00					335.00
BC (4) (7)	January 17, 2005	FOB	122.00	N/A	125.00	140.00		262.00	151.00	117.00		850.00	500.00					325.00
Calgary	January 24, 2005	FOB	104.00	N/A	112.00	140.00		266.50			165.00	975.00	535.00					300.00
AB (4)	January 17, 2005	FOB	104.00	N/A	112.00	138.00		266.50			165.00	975.00	535.00					300.00
Saskatoon	January 24, 2005	FOB	85.00	134.50	92.00	130.00		269.00	N/A		180.00	N/A	535.00					360.00
SK (4)	January 17, 2005	FOB	83.50	131.00	93.00	133.00		269.00	N/A		180.00	N/A	535.00					360.00
Winnipeg	January 24, 2005	FOB	129.00	140.00	111.00	115.00		242.00	N/A		290.00	1007.50	515.00					340.00
MB (4) (9)	January 17, 2005	FOB	126.50	140.00	110.00	116.00		248.50	N/A		290.00	1012.50	515.00					360.00
Thunder Bay	January 24, 2005	In-Store	103.00	N/A	107.85													
ON (8)	January 17, 2005	On Board	103.00	N/A	108.80													
Lake Ports	January 24, 2005	On Board																
USA (3)	January 17, 2005	Vessel																
Bay Ports	January 24, 2005	In-Store	135.00	205.00	140.00													
ON	January 17, 2005		134.00	205.00	150.00													
Chatham	January 24, 2005	Track				102.13												
ON	January 17, 2005					102.21												
Toronto	January 24, 2005	N/A									179.00	N/A	420.00	425.00	114.00		265.00	305.00
ON (5)	January 17, 2005										168.00	N/A	440.00	425.00	114.00		265.00	300.00
Hamilton	January 24, 2005	N/A						243.39	#N/A									
ON	January 17, 2005							237.88	#N/A									
Eastern	January 24, 2005	FOB				101.75												
ON	January 17, 2005					107.50												
London	January 24, 2005	FOB																
ON	January 17, 2005																	
Port Colborne	January 24, 2005	FOB																
ON	January 17, 2005																	
Cardinal	January 24, 2005	FOB																
ON	January 17, 2005																	
Montreal	January 24, 2005		133.00	150.00	144.00	124.00		256.68	172.73	69.00	179.00	850.00	424.00	425.00	114.00		270.00	310.00
QC (5)	January 17, 2005		133.00	150.00	146.00	124.00	FOB	252.53	172.33	74.00	168.00	850.00	424.00	425.00	114.00		270.00	310.00
Trois-Rivières	January 24, 2005	In-Store	134.10		142.70	129.91												
QC	January 17, 2005		134.10		144.60	130.01												
St. Jean QC (2)	January 24, 2005	FOB	145.22	124.48	145.70	115.75		242.10										
St. Hyacinthe QC	January 17, 2005		143.97	123.20	145.23	116.78		247.83										
Quebec	January 24, 2005	In-Store	131.70	N/A	160.81	118.31		248.03										
QC	January 17, 2005		131.03	N/A	161.90	118.35		248.03										
Truro	January 24, 2005	Track	157.86		161.49	164.03		283.48	201.10		229.05		505.00					310.00
NS	January 17, 2005		155.86		166.48	165.48	FOB	283.93	203.63		223.55		505.00					310.00
Truro	January 24, 2005	Water	N/A	N/A	N/A	N/A												
NS	January 17, 2005	& Truck	N/A	N/A	N/A	N/A												
Halifax	January 24, 2005	In-Store	N/A	N/A	N/A	161.05		315.00			297.50		1,100.00	N/A				
NS (6)	January 17, 2005		N/A	N/A	N/A	#N/A		307.50			297.50		1,100.00	N/A				

Source: Market Analysis Division, Agriculture and Agri-Food Canada: Thunder Bay prices are based on the Winnipeg Commodity Exchange (WCE) market close
 Contact: Valerie Charlier A/Statistical Clerk Telephone: (204) 983-0581 Fax: (204) 983-5524 Email: charlier@agr.gc.ca
 N/A = not available
 US\$1.00=CAN\$1.2212, closing date January 21, 2005

Footnotes: All prices in Canadian dollars per metric tonne based on survey respondents.

Grain grades (unless otherwise specified) are: Western or Eastern Feed Wheat, Feed Oats, No.1 Canada Western or Eastern Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn, Soybean Meal 48 % Protein. Canola Meal based on minimum standard of 35% Protein. Fish Meal: white fish and/or herring meal. Gluten Meal 60% Protein. Gluten Feed 21% Protein.

(1) Wheat 3CWSRS (2) Canadian Corn #3 or #2 (3) US Corn (4) Fish Meal from West Coast 63% Protein (5) Fish Meal 60% Protein (6) Herring Fish Meal (7) Fraser Valley (8) Wheat & Barley (Basis - Cash Price WCE) (9) Oats 3CW

B. CASH PRICES AND REPLACEMENT VALUES

January 24, 2005

PRAIRIE GRAINS

Selected Points	Price Basis		This week 24-Jan-05	Last week 10-Jan-05	Month ago 29-Dec-04	Year ago 26-Jan-04
From: Thunder Bay(WCE) (2)	In-Store	Wheat	103.00	103.00	101.00	160.00
(CBOT)		Oat	170.00	159.40	156.40	158.25
(Lethbridge)		Barley	112.00	113.00	112.00	126.00
To: Bayport, ON (1)	In-store	Wheat	126.61	126.61	124.61	183.61
		Oat	N/A	N/A	N/A	N/A
		Barley	139.39	140.39	139.39	153.39
Montreal, QC (1)	In-store	Wheat	131.03	131.03	129.03	188.03
		Oat	N/A	N/A	N/A	N/A
		Barley	144.31	145.31	144.31	158.31
Moncton, NB	Truck via Halifax	Wheat	153.25	153.25	151.25	210.25
		Oat	N/A	N/A	N/A	N/A
		Barley	168.50	169.50	168.50	182.50
Truro, NS	Truck via Halifax	Wheat	147.22	147.22	145.22	204.22
		Oat	N/A	N/A	N/A	N/A
		Barley	166.00	167.00	166.00	180.00
Halifax, NS (1)	In-store	Wheat	138.28	138.28	136.28	195.28
		Oat	N/A	N/A	N/A	N/A
		Barley	152.30	153.30	152.30	166.30
Stephenville, NL	Track / Truck via Sydney	Wheat	201.63	201.63	199.63	258.63
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A
Melfort, SK		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Bayport, ON		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Montreal, QC		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Moncton, NB		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Truro, NS		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track / Truck via Sydney	Barley	N/A	N/A	N/A	N/A
Stephenville, NL		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A

Selected Points	Price Basis		This week 24-Jan-05	Last week 10-Jan-05	Month ago 29-Dec-04	Year ago 26-Jan-04
Corn						
From: US Lake Port	On Board Vessel		94.23	98.99	105.31	144.09
To: Montreal, QC (1)	In-store		113.27	118.03	124.35	163.13
From: Chicago (IL)	Track		99.04	104.82	104.82	143.06
To: Montreal, QC	Track		127.90	133.68	133.63	171.92
From: Chatham, ON	Track		102.13	105.49	106.74	152.39
To: Montreal, QC	Track		126.00	129.36	130.61	176.26

Soymeal 48% Protein

From: Hamilton, ON			243.39	251.10	251.10	358.30
To: Montreal, QC	Track		267.72	275.43	275.43	382.63
Moncton, NB	Track		286.47	294.18	294.18	401.38
Truro, NS	Track		289.69	297.40	297.40	404.60
Stephenville, NL	Track / Truck via Sydney		338.32	346.03	346.03	453.23

1. Prices include ONE month of storage and interest charges n/a = not available

2. Thunder Bay prices are based on the Winnipeg Commodities Exchange market close (Cash price)

Source: Market Analysis Division, Agriculture and Agri-Food Canada

Contact: Valérie Chartier: A/Statistical Clerk (204) 983-0581 Fax: (204) 983-5524 e-mail: chartierv@agr.gc.ca

Footnotes: All prices quoted in Canadian dollars per metric tonne.

Grain grades (unless otherwise specified) are: Canada Western Feed Wheat, Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn.

Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec.

Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable

A. SELLING PRICE OF BULK FEED INGREDIENTS AT SELECTED POINTS

SELECTED POINT	REFERENCE PERIOD	PRICE BASIS	(1) WHEAT	OATS	BARLEY	CORN	PRICE BASIS	SOYBEAN MEAL	CANOLA MEAL	MILL-FEEDS MEAL	MEAT MEAL	FISH MEAL	ANIMAL FAT	GLUTEN MEAL	GLUTEN FEED	FEED PEAS	DEHY ALFALFA	FEATHER MEAL
Vancouver BC	January 10, 2005	FOB	122.00	N/A	125.00	143.50		267.50	158.00	115.00		850.00	500.00					325.00
(4) (7)	January 4, 2005		122.00	N/A	125.00	145.50		262.00	162.50	112.00		837.50	500.00					325.00
Calgary	January 10, 2005	FOB	104.00	N/A	112.00	138.00		262.00			150.00	975.00	535.00					300.00
AB	January 4, 2005		104.00	N/A	110.00	140.00		258.00			125.00	975.00	535.00					300.00
(4)	January 10, 2005	FOB	83.50	130.00	91.00	134.00		265.50	N/A		165.00	N/A	535.00					350.00
Saskatoon	January 4, 2005		83.50	123.00	93.50	135.00		266.50	N/A		140.00	N/A	535.00			115.33		350.00
(4)	January 10, 2005	FOB	126.50	140.00	110.00	120.00		244.00	N/A		290.00	1012.50	515.00			115.33		350.00
Winnipeg	January 10, 2005		128.50	140.00	111.00	117.00		245.00	N/A		290.00	972.50	515.00					315.00
MB (4) (9)	January 4, 2005																	
Thunder Bay	January 10, 2005	In-Store	102.00	N/A	110.50													
ON	January 4, 2005		101.00	N/A	109.95													
(8)	January 10, 2005	On Board				99.11												
Lake Ports	January 10, 2005	Vessel				103.82												
USA	January 4, 2005																	
(3)	January 10, 2005	In-Store	132.00	205.00	150.00													
Bay Ports	January 4, 2005		132.00	205.00	150.00													
ON	January 10, 2005	Track				105.49												
Chatham	January 4, 2005					104.38												
ON	January 10, 2005																	
Toronto	January 10, 2005	N/A																
ON	January 4, 2005																	
(5)	January 10, 2005																	
Hamilton	January 10, 2005	N/A																
ON	January 4, 2005																	
Eastern	January 10, 2005	FOB				107.50		251.10	#N/A									
ON	January 4, 2005					101.00		242.29										
London	January 10, 2005	FOB																
ON	January 4, 2005																	
Port Colborne	January 10, 2005	FOB																
ON	January 4, 2005																	
Cardinal	January 10, 2005	FOB																
ON	January 4, 2005																	
Montreal	January 10, 2005		133.00	150.00	149.00	129.00		258.57	177.88	87.33	168.00	850.00	424.00	425.00	114.00		270.00	310.00
QC	January 4, 2005		133.00	125.00	150.00	128.00		252.70	176.13	96.67	168.00	850.00	413.00	425.00	114.00		270.00	310.00
(5)	January 10, 2005	In-Store	134.00		147.00	133.75												
Trois-Rivières	January 4, 2005		133.50	123.24	140.45	122.68		263.42										
QC	January 10, 2005	FOB	150.57	122.40	147.91	122.68		251.19										
St. Jean QC (2)	January 4, 2005		131.00	N/A	165.42	128.48		251.72										
St. Hyacinthe QC	January 10, 2005	In-Store	130.83	N/A	164.63	120.37		251.11										
Quebec	January 4, 2005		156.19		166.48	166.23		279.81	203.63									
QC	January 10, 2005	Track	156.19		166.48	166.23		280.86	203.63									
Truro	January 4, 2005		N/A	N/A	N/A	N/A												
NS	January 10, 2005	Water	N/A	N/A	N/A	N/A												
Truro	January 10, 2005	8-Truck	N/A	N/A	N/A	N/A												
NS	January 4, 2005		N/A	N/A	N/A	N/A												
Halifax	January 10, 2005	In-Store	N/A	N/A	N/A	160.00		315.00		297.50		1,100.00	N/A					
NS	January 4, 2005		N/A	N/A	N/A	#N/A		306.70		297.50		1,100.00	N/A					
(6)	January 4, 2005																	

Source: Market Analysis Division, Agriculture and Agri-Food Canada. Thunder Bay prices are based on the Winnipeg Commodity Exchange (WCE) market close USS1.00=CANS1.2341, closing date January 7, 2005
 Contact: Valerie Chartier A/Statistical Clerk Telephone: (204) 983-0581 Fax: (204) 983-5524 Email: chartier@agr.gc.ca N/A = not available

Footnotes: All prices in Canadian dollars per metric tonne based on survey respondents.

Grain grades (unless otherwise specified) are: Western or Eastern Feed Wheat, Feed Oats, No.1 Canada Western or Eastern Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn, Soybean Meal 48 % Protein. Canola Meal based on minimum standard of 35% Protein. Fish Meal: White fish and/or herring meal. Gluten Meal 60% Protein. Gluten Feed 21% Protein.

(1) Wheat 3CWRS (2) Canadian Corn #3 or #2 (3) US Corn (4) Fish Meal from West Coast 63% Protein (5) Fish Meal 60% Protein (6) Herring Fish Meal (7) Fraser Valley (8) Wheat & Barley (Basis - Cash Price WCE) (9) Oats 3CW

B. CASH PRICES AND REPLACEMENT VALUES

January 10, 2005

PRAIRIE GRAINS

Selected Points	Price Basis		This week 10-Jan-05	Last week 29-Dec-04	Month ago 13-Dec-04	Year ago 12-Jan-04
From: Thunder Bay(WCE) (2)	In-Store	Wheat	103.00	101.00	100.00	161.00
(CBOT)		Oat	159.40	156.40	154.40	155.00
(Lethbridge)		Barley	113.00	112.00	112.50	129.00
To: Bayport, ON (1)	In-store	Wheat	126.61	124.61	123.61	184.61
		Oat	N/A	N/A	N/A	N/A
		Barley	140.39	139.39	139.89	156.39
Montreal, QC (1)	In-store	Wheat	131.03	129.03	128.03	189.03
		Oat	N/A	N/A	N/A	N/A
		Barley	145.31	144.31	144.81	161.31
Moncton, NB	Truck via Halifax	Wheat	153.25	151.25	150.25	211.25
		Oat	N/A	N/A	N/A	N/A
		Barley	169.50	168.50	169.00	185.50
Truro, NS	Truck via Halifax	Wheat	147.22	145.22	144.22	205.22
		Oat	N/A	N/A	N/A	N/A
		Barley	167.00	166.00	166.50	183.00
Halifax, NS (1)	In-store	Wheat	138.28	136.28	135.28	196.28
		Oat	N/A	N/A	N/A	N/A
		Barley	153.30	152.30	152.80	169.30
Stephenville, NL	Track / Truck via Sydney	Wheat	201.63	199.63	198.63	259.63
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A
Melfort, SK		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Bayport, ON		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Montreal, QC		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Moncton, NB		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Truro, NS		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track / Truck via Sydney	Barley	N/A	N/A	N/A	N/A
Stephenville, NL		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A

Selected Points	Price Basis		This week 10-Jan-05	Last week 29-Dec-04	Month ago 13-Dec-04	Year ago 12-Jan-04
Corn						
From: US Lake Port	On Board Vessel		98.99	105.31	105.03	126.41
To: Montreal, QC (1)	In-store		118.03	124.35	124.07	145.45
From: Chicago (IL)	Track		104.82	104.82	103.10	128.91
To: Montreal, QC	Track		133.68	133.68	131.96	157.77
From: Chatham, ON	Track		105.49	106.74	106.33	139.25
To: Montreal, QC	Track		129.36	130.61	130.20	163.12

Soymeal 48% Protein

From: Hamilton, ON			251.10	251.10	243.61	319.30
To: Montreal, QC	Track		275.43	275.43	267.94	343.63
Moncton, NB	Track		294.18	294.18	286.69	362.38
Truro, NS	Track		297.40	297.40	289.91	365.60
Stephenville, NL	Track / Truck via Sydney		346.03	346.03	338.54	414.23

- Prices include ONE month of storage and interest charges n/a = not available
- Thunder Bay prices are based on the Winnipeg Commodities Exchange market close (Cash price)

Source: Market Analysis Division, Agriculture and Agri-Food Canada

Contact: Valérie Chartier: A/Statistical Clerk (204) 983-0581 Fax: (204) 983-5524 e-mail: chartierv@agr.gc.ca

Footnotes: All prices quoted in Canadian dollars per metric tonne.

Grain grades (unless otherwise specified) are: Canada Western Feed Wheat, Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn.

Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec.

Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable



Bi-weekly Bulletin

February 11, 2005 Volume 18 Number 3



CANADA: AREA SEEDED FOR 2005-2006

A farmer's decisions on which crops to seed are heavily influenced by expected net returns, as well as current prices, spring soil moisture conditions, expected delivery opportunities, cash flow needs, crop rotation requirements, potential disease and pest problems and on-farm stocks. In 2005-2006, prices for wheat and oilseeds (except canola) are forecast to decline from 2004-2005 due to rising world stock levels. Feed grain prices are projected to strengthen slightly, mainly due to reduced US corn production. Based on these factors, Market Analysis Division (MAD) has projected crop areas for 2005. In western Canada, the areas seeded to winter wheat, barley, canola, lentils, mustard seed and canary seed are expected to decrease, while the areas of spring wheat, oats, flaxseed, dry beans, chickpeas and sunflower seed are forecast to increase. In eastern Canada, higher spring wheat and dry bean areas are expected to offset the smaller area of winter wheat, with only marginal changes expected for corn and soybeans. This issue of the Bi-weekly Bulletin examines the net returns and area seeded for grains, oilseeds, pulses and special crops in Canada.

Background

Expected returns are an important factor affecting cropping decisions. Returns, net of variable or operating costs, affect short-term cropping decisions, while returns, net of total costs (fixed and variable), influence long-term decisions, such as rotation patterns and entry into, or exit from, the industry. Variable costs change with the type of crop grown, while fixed costs vary little with the type of crop. Therefore, fixed costs such as land rental, property taxes, hired labour and machinery depreciation, as well as the value of a farmer's own labour, are not included in MAD's analysis of seeding intentions.

While expected net returns are a valuable indicator of area shifts between land use options, it is not the only factor to consider. Delivery opportunities can be a major factor, with a farmer requiring immediate cash flow perhaps choosing to grow feed barley rather than wheat, despite less attractive expected net returns, as the Canadian Wheat Board regulates the delivery of milling wheat, and may not accept delivery of the entire year's production. Crop rotations must also be considered, as certain crops cannot

be grown consecutively on the same fields due to disease pressure, so that the area of an otherwise attractive crop may be restricted. Large stock levels can also discourage production of additional grain.

As each province's agriculture department uses a different methodology, the crop budgets used here are not comparable across provinces, but only between crops within a province. Saskatchewan Agriculture, Food and Rural Revitalization provides crop budgets for crops seeded to fallow and stubble land for each soil zone. Alberta Agriculture, Food and Rural Development provides budgets for crops seeded to fallow and stubble in the brown and dark brown soil zones, with only stubble-seeded budgets for crops in the black and grey soil zones. Manitoba Agriculture, Food and Rural Initiatives provides only average crop budgets, as the majority of Manitoba crops are grown on stubble and most of Manitoba's agricultural area is in the black soil zone. The Ontario Ministry of Agriculture and Food provides average crop budgets for various tillage systems.

Productivity in western Canada is correlated with soil type. For example, the brown soil zone in the semi-arid region of the Prairies is more subject to drought than the dark brown soil zone, resulting in wider variations in crop yields. The black soil zone, located in a higher moisture region, has higher average yields and is rarely subject to drought. The grey soil zone, extending into the northern regions of the Prairies, is characterized by higher moisture levels, cooler temperatures, and a shorter growing season. Climatic conditions also influence the susceptibility of crops to disease and pest infestations requiring different combinations and levels of herbicides and pesticides.

PRICE FORECASTS

The price forecasts used by MAD in this analysis assume normal growing conditions in Canada and other major growing regions of the world in 2005-2006. Actual prices could differ considerably as a result of unusual weather in Canada or major importing or exporting countries, as well as other changes in market factors.

The prices shown for each crop in each region represent the forecast average price in that region for the expected grade of each crop. For spring wheat, it is assumed that farmers in the black soil zones would expect to achieve a No.2 CWRS grade, with 13.5% protein, while a No.1 CWRS grade would be expected in the drier brown soil zones. Durum producers in the brown soil zone might expect to produce a No.1 CWAD with 13% protein. For barley, potential returns are given for malting barley as well as for feed barley, and farmers hoping to have their barley selected for malting would have to weigh the possibility that their crop may not meet malting specifications and have to be sold for feed. For dry peas, prices for food grade green and yellow

peas are given, but, as with barley, not all peas will be sold for human food, and farmers should also take into account the significantly lower net returns for feed peas.

Price levels at seeding time, or prices received the previous year, can also impact on seeding decisions, as projected prices are often not accurate, and many farmers will therefore make decisions based on their own expectations or past experience. In the spring of 2005, this factor may be most significant for crops such as flaxseed, sunflower seed and dry beans, where prices in 2004-2005 have been relatively high due to production problems. CWRS wheat area may also be supported, as top quality CWRS

prices are relatively good in 2004-2005, and few farmers expect to produce feed quality wheat. Conversely, sharp declines in prices for feed barley and canola in 2004-2005 may negatively impact on farmers' outlook for these crops.

YIELD FORECASTS

Average provincial yields have been forecast by MAD, using trend analysis. Adjustments for soil zone are based on historical data from Statistics Canada. Adjustments to a 'stubble' basis are based on provincial data. Actual yields can vary greatly due to factors such as weather, disease, pests or a farmer's input use.

For 2005-2006, MAD assumes that yields will be near trend for all crops. Despite below normal precipitation in parts of the southern Prairies since last fall, moisture reserves were replenished by above-normal rainfall in the summer of 2004, and normal precipitation levels are assumed during the 2005 growing season.

Environment Canada's spring forecast calls for below normal precipitation in Alberta, the Peace River District of British Columbia and north-western Saskatchewan, above normal in eastern Manitoba and normal precipitation in the remainder of the Prairie agricultural region. For the summer growing

season, precipitation is expected to be normal except for north-western Alberta and BC Peace, which remains dry. Spring temperatures are forecast to be near-normal across the entire Prairie agricultural area, with temperatures during the summer rising to above normal for BC, Alberta and Saskatchewan, and Manitoba experiencing normal summer temperatures. If this forecast is correct, trend yields should be achievable in most regions except north-western Alberta and the BC Peace River District.

In Ontario and Quebec, Environment Canada forecasts that conditions will be dry in the spring, but rising to wetter than normal for the summer. Summer temperatures, however, are expected to be cooler than normal. A dry spring may reduce winter wheat yields, while a cool summer may slow corn and soybean development, despite expected adequate moisture.

EXPENSES

As projected 2005 costs are not yet available for Alberta, MAD has used the 2004 provincial cost estimates, adjusted by the Farm Input Price Index projected by Agriculture and Agri-food Canada.

Fertilizer

Fertilizer costs are a significant factor in seeding decisions. Natural gas is the primary raw material required for the production of ammonia, which is the foundation for virtually all forms of nitrogen fertilizer. The average North American ammonia factory requires about 33.5 million British thermal units (MBtu) to produce one tonne of ammonia. Natural gas costs are currently about US\$6.10/MBtu compared with about US\$5.80/MBtu a year ago and US\$7.00/MBtu in 2003. With natural gas priced at about US\$6.10/MBtu, 1 tonne of nitrogen fertilizer will cost about US\$230 to produce {33.5 MBtu x \$6.10 + \$25 (fixed cost)} (Cdn\$290 at the current exchange rate) compared to about US\$220 (Cdn\$280) in 2004 and US\$260 (Cdn\$400) in 2003. Tight North American supplies are expected to keep natural gas prices relatively

CANADA: AREA SEEDED

	2004	2005f	Change
.....kha.....			%
Winter Wheat	642	483	-24.8%
Spring Wheat	7,527	8,007	6.4%
Durum Wheat	2,230	2,244	0.6%
All Wheat	10,399	10,734	3.2%
Oats	1,995	2,122	6.4%
Barley	4,678	4,513	-3.5%
Rye (all)	284	230	-19.2%
Mixed Grains	233	233	0.4%
Corn	1,185	1,183	-0.1%
Coarse Grains	8,374	8,281	-1.1%
Flaxseed	728	1,000	37.3%
Canola	5,319	5,016	-5.7%
Soybeans	1,229	1,213	-1.3%
Oilseeds	7,277	7,229	-0.7%
Dry Peas	1,388	1,388	0.0%
White Pea Beans	65	79	21.9%
Coloured Beans	98	109	11.0%
Lentils	778	739	-5.0%
Mustard Seed	317	237	-25.2%
Sunflower Seed	87	100	14.9%
Canary Seed	356	267	-25.0%
Chickpeas	47	54	15.9%
Buckwheat	9	9	-1.1%
Pulse and Special Crops	3,145	2,982	-5.2%
Summerfallow	3,609	3,502	-3.0%

The sum of individual commodities may not equal totals due to rounding.

f: forecast, AAFC, February 2005

Source: Statistics Canada

high, especially if the winter is colder than normal.

Phosphorus prices are also expected to be higher than for 2004. Higher world fertilizer prices will be partly offset by the stronger dollar, with average Canadian fertilizer prices projected to be about 5% higher in 2005 than in 2004.

Farm Fuel

Strong global demand, instability in Iraq's, smaller US reserves, and the success of the Organization of the Petroleum Exporting Countries in controlling supply, have driven oil prices to over US\$45/barrel (Cdn\$56), compared to under US\$40/barrel (Cdn\$50) a year ago. The stronger Canadian dollar will offset part of the increase in world prices, but Canadian farm fuel prices are expected to be more than 10% higher than in 2004.

Herbicides and Pesticides

Herbicide use varies greatly depending on the crop seeded and by the growing conditions. For the majority of crops, use is expected to be similar to 2004, with prices 2% to 3% higher.

Between 2000 and 2003, grasshoppers were a serious pest in many parts of Saskatchewan and Alberta due to dry conditions. However, cool wet conditions in 2004 reduced grasshopper numbers, and grasshoppers are not expected to be a serious problem in 2005. Therefore, pesticide use for grasshopper control in 2005 may be lower than in the early years of the decade.

Seed

The cost of seed is expected to increase marginally in 2005 for canola and flaxseed. Seed costs for wheat, barley, oats and dry peas, however, are projected to decrease slightly. The seed costs used in this analysis are generally an average of commercial and bin-run seed.

Crop Insurance

Crop insurance costs in 2005 are expected to be relatively unchanged from 2004, despite a significant increase in crop claims, particularly in Saskatchewan and Manitoba.

However, rates will vary depending on the province and crop seeded.

CROP BUDGETS

Comparing budgets across the provinces, custom work costs for western Canada have been included in "other" costs, which also includes overhead expenses such as utilities. For Ontario, custom work costs have been added to chemical and fertilizer costs. In Ontario, "other" costs include marketing fees and drying. The cost of management and/or owner/operator labour has not been included in the budgets.

In **Manitoba**, the highest projected net returns are for flaxseed and confectionery sunflower seed, followed by green peas, soybeans, oats and canola. Flaxseed returns are supported by tight supplies arising from the cool 2004 growing season and August frost across much of the flaxseed growing region of Saskatchewan and Manitoba. Net returns are forecast to be the lowest for Canada Western Red Spring (CWRS) wheat and feed barley due to lower expected prices in 2005-2006. If sold for feed, green pea returns would be reduced to \$34/ha, lower than for all other crops except barley.

In the **Saskatchewan brown soil zone**, the highest net returns are for large green lentils, chickpeas, and durum wheat. Yellow mustard seed, CWRS wheat, and feed barley are expected to provide the lowest net returns per hectare. In the **black soil zone**, flaxseed is expected to provide the highest net return, followed by malting barley (Special Select 2 Row {SS2R}), yellow peas and CWRS wheat. The lowest potential net returns are for canary seed, oats, canola, feed barley and feed peas.

In the **Alberta brown soil zone**, the potential net returns for large kabuli chickpeas, large green lentils and canola are the highest, with the lowest potential net returns for feed barley and CWRS wheat. In the **black soil zone**, green peas and Argentine canola have the highest potential returns, followed by Canada Prairie Spring (CPS) wheat, CWRS wheat and feed barley. Oats

and feed peas are expected to have the lowest net returns.

In **Ontario**, white pea beans are expected to have the highest net return due to strong prices, followed by soft red and hard red winter wheat, soybeans and grain corn. Returns for feed barley are expected to be very low; however most of this crop is used on farm for feeding so that market price is less of a factor in planting decisions. For both wheat and barley, additional revenue may be earned through the sale of straw.

AREA SHIFTS

In **western Canada**, area seeded to spring wheat, flaxseed, oats, dry beans, sunflower seed and chickpeas is expected to increase in 2005. The areas of winter wheat, barley, rye, corn, canola, soybeans, lentils, mustard seed, and canary seed are expected to decline, with durum and dry pea areas relatively unchanged from 2004. In **eastern Canada**, a decline in winter wheat area is expected to be offset by slightly higher areas of spring wheat, corn, soybeans, and a significant increase in dry bean area.

In western Canada, spring wheat area is forecast to increase by 6% to 7.9 million hectares (Mha) in 2005, despite lower potential net returns than for several alternative crops. This is due to a number of factors, included sharply lower winter wheat area because of the late 2004 harvest, relatively stronger wheat returns in 2004-2005 compared to canola, better delivery opportunities than for durum wheat and crop rotation considerations. Area seeded to durum is expected to be relatively unchanged from 2004, despite the higher returns when compared with spring wheat, due to rising stocks and restricted deliveries in 2004-2005.

Area seeded to barley in western Canada is forecast to decrease by 4% in 2005, to 4.2 Mha, due to extremely low prices for feed barley in 2004-05. The expected decline in area is moderated by good expected returns for malting barley and barley's role as a good cash crop and as a major feed ingredient on western farms. However, the area seeded to barley in 2005 is

forecast to be below the 10-year average of 4.5 Mha.

Area seeded to oats in western Canada is projected to increase by 7% to 2.0 Mha due to attractive potential net returns for milling quality oats, and relatively stronger prices in 2004-2005 than for the major alternative crops; barley and canola.

Area seeded to canola in western Canada is projected to decrease by 6% to 5.0 Mha due to lower net returns relative to alternative crops, the large decline in prices in 2004-2005, the greater production risk compared to wheat and rising stock levels. Canola prices are forecast to remain near the depressed 2004-2005 level, due to weak US soybean prices and the strong Canadian dollar.

Flaxseed area is forecast to increase by almost 40% to 1.0 Mha in 2005 due to extremely high prices in 2004-2005 and relatively good projected net returns for 2005-2006. Prices, however, are expected to be pressured by a stronger Canadian dollar and higher supplies.

Pulse and Special Crops

In western Canada, area seeded to pulse and special crops in 2005 is expected to decrease by 6% to 2.91 Mha due to one or more of the following factors: (1) lower expected net returns than for competing crops, (2) high carry-in stocks or (3) higher production risks compared to other crops. Area seeded to mustard seed and canary seed is forecast to decrease by about 25%. Mustard seed prices for all types are expected to increase slightly due to lower supply. Canary seed prices are expected to remain stable, in line with a stable world supply. Dry pea area is expected to be similar to 2004 at 1.39 Mha. Prices are expected to remain stable. The area seeded to lentils is expected to decrease by about 5% to 0.74 Mha. Supply is expected to decrease slightly. Prices for the top grades are forecast to decrease significantly, assuming a return to a normal quality crop from the lower than average quality crop in 2004.

Summerfallow area has been steadily declining since 1988, reaching a low of 3.61 Mha in 2003, because new technology, including improved herbicides and seeding systems, have allowed for continuous cropping. Also, the increased availability of alternative crops, some of which are nitrogen-fixing, and the use of crop rotation, has decreased the producers' reliance on summerfallow. Summerfallow area rose marginally in 2004, mainly due to wet seeding conditions, but is forecast to decline in 2005 and reach a record low of 3.5 Mha. If moisture conditions are dry in the spring, farmers may be reluctant to seed crops on stubble, supporting summerfallow area, but due to above-normal precipitation in 2004, soil moisture conditions are adequate in most parts of western Canada. Expectations for higher input costs and lower commodity prices, conversely, may support summerfallow area as farmers may take marginal land out of production.

Ontario

Area seeded to winter wheat in the fall of 2004, estimated by Statistics Canada at 0.3 Mha, is down about 5% from 2003 due to lower prices and a late soybean harvest. Winter wheat is a rotational crop and a source of cash during the summer for many Ontario farmers, with seeded area largely dependent on fall seeding conditions, although potential net returns for both soft and hard red winter wheat compare very favourably with corn and soybeans in 2005. As with barley, additional revenue can be realized from wheat in Ontario through the sale of straw.

Area seeded to corn is expected to increase slightly to 0.70 Mha in 2005 due to lower area seeded to winter wheat. Production is forecast to increase only marginally due to lower yields. Average prices in 2005-2006 are expected to rise by \$10/t to about \$115/t (No.2 Canada Eastern cash in-store, Chatham) due to expected higher US prices.

Area seeded to soybeans in Ontario is expected to increase marginally as a result of the decline in area seeded to winter wheat. Production is expected to decline by 7% as yields decline to

normal levels. Prices for soybeans are expected to decline by \$25/t to an average price of about \$205/t (in store Chatham), due to higher soybean production in the US and a strengthening of the Canadian/US exchange rate.

The area seeded to white pea beans in Ontario is expected to increase by about 40% in 2005, due to strong prices in 2004-2005. Area seeded to white pea beans is relatively small, due to higher production risk. Coloured bean area is expected to rise by about 10%. Higher Canadian and US supply, as a result of higher seeded area, lower abandonment and higher yields, are expected to pressure prices for nearly all classes of dry beans.

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CANADA: AREA SEEDED 2005-2006

CROP BUDGETS

ALBERTA: Brown Soil Zone - stubble

	Wheat		Barley Feed ^{4/}	Canola	Lentils Large Green	Chickpeas Large Kabuli	Mustard Yellow
	CWRS	Durum					
Variable Costs^{1/}	\$/ha						
Seed (inc. treatment)	23	26	18	31	64	167	26
Fertilizer	62	62	62	43	15	15	69
Chemicals	60	60	30	56	49	75	62
Fuel	17	17	17	17	17	17	17
Repairs	16	16	16	16	19	19	16
Crop Insurance	20	22	22	32	20	25	30
Interest	2	2	2	2	2	2	2
Other	26	26	27	24	24	24	24
Total Variable Costs	226	231	196	221	210	343	246
Projected Returns^{2/}	1 CWRS*	1 CWAD*	1 CW	1 CAN	1 CAN	1 CW	1 CAN
Projected Yield (t/ha)	1.80	1.75	2.00	1.10	0.95	1.05	0.75
Projected Price (\$/t)	135	155	95	265	360	560	350
Projected Revenue	243	271	190	292	342	588	263
Net Return (\$/ha)	17	40	- 6	70	132	245	17

ALBERTA: Black Soil Zone - stubble

	Wheat		Barley Feed ^{4/}	Oats	Dry Peas		Canola
	CWRS	CPS			Green	Feed	
Variable Costs^{1/}	\$/ha						
Seed (inc. treatment)	32	39	26	26	77	77	46
Fertilizer	107	107	107	107	30	30	132
Chemicals	58	58	51	19	63	63	76
Fuel	25	25	25	25	25	25	25
Repairs	32	32	32	32	35	35	32
Crop Insurance	25	25	22	23	25	25	27
Interest	5	5	5	5	5	5	6
Other	41	43	45	42	41	41	26
Total Variable Costs	326	335	313	280	301	301	372
Projected Returns^{2/}	2 CWRS*	1 CPS	1 CW	3 CW	2 CAN	Feed	1 CAN
Projected Yield (t/ha)	2.60	3.30	3.40	2.50	2.30	2.30	1.50
Projected Price (\$/t)	130	105	95	95	170	120	265
Projected Revenue	338	347	323	238	391	276	398
Net Return (\$/ha)	12	12	10	- 42	90	- 25	26

Ontario: - conventional seeded

	Wheat		Barley Feed	Corn Grain	Soybeans	Dry Beans White Pea	Canola winter
	SRW	HRW					
Variable Costs^{3/}	\$/ha						
Seed (inc. treatment)	91	122	81	150	93	141	85
Fertilizer	147	189	143	179	55	78	229
Chemicals	38	38	98	108	101	165	77
Fuel	23	23	23	34	23	36	17
Repairs	39	39	39	41	42	45	32
Crop Insurance	20	20	10	41	39	45	25
Interest	18	21	14	21	11	15	13
Other (includes drying)	38	38	22	171	41	22	26
Total Variable Costs	413	489	430	745	405	546	505
Projected Returns^{2/}	1 CERW	1 CERW*	Feed	2 CE	2 CAN	1 CAN	1 CAN
Projected Yield (t/ha)	5.00	4.75	3.50	8.00	2.50	1.85	2.10
Projected Price (\$/t)	130	150	110	110	225	550	265
Projected Revenue	650	713	385	880	563	1,018	557
Net Return (\$/ha)	237	223	- 45	135	158	471	52

Totals may not add due to rounding

^{1/} 2004 Alberta Agriculture, Food and Rural Development variable costs, adjusted by the projected Farm Input Price Index (FIPI)

^{2/} AAFC forecast, February 2005 ^{3/} AAFC forecast based on 2004 Ontario Ministry of Agriculture, Food and Rural Affairs costs

^{4/} Off-Board * CWRS: 13.5% protein / CWAD: 13.0% protein / CERW 11.5% protein

CANADA: AREA SEEDED 2005-2006

CROP BUDGETS

MANITOBA

	Wheat CWRS	Barley Feed ^{2/}	Canola	Flaxseed	Soybeans	Oats	Sunflower Confectionary	Dry Peas Green
Variable Costs^{1/}				\$/ha				
Seed (inc. treatment)	28	27	62	32	127	26	87	62
Fertilizer	83	83	99	72	32	76	99	43
Chemical	77	64	96	52	106	26	142	69
Fuel	28	28	28	28	30	28	30	30
Repairs	25	25	25	25	24	25	27	26
Crop Insurance	14	12	22	15	21	16	19	15
Interest	8	7	10	7	10	6	12	8
Other	19	19	19	19	20	19	35	20
Total Variable Costs	281	265	361	249	371	222	451	272
Projected Returns^{2/}	2 CWRS*	1 CW	1 CAN	1 CW	2 CAN	3 CW	1 CAN	2 CAN
Projected Yield (t/ha)	2.65	3.40	1.70	1.38	1.85	3.00	1.50	2.55
Projected Price (\$/t)	125	80	260	320	220	110	465	170
Projected Revenue	331	272	442	440	407	330	698	434
Net Return (\$/ha)	51	7	81	191	36	108	246	162

SASKATCHEWAN: Brown Soil Zone - conventional seeded stubble

	CWRS	Wheat Durum	CPS	Barley Feed ^{2/}	Lentils Large Green	Mustard Yellow	Chick Peas Large Kabuli	Desi
Variable Costs^{3/}				\$/ha				
Seed (inc. treatment)	17	21	14	14	58	42	178	49
Fertilizer	62	62	62	62	18	62	18	18
Chemicals	38	39	36	36	93	43	167	81
Fuel	29	29	29	29	32	31	32	32
Repairs	18	18	18	18	27	18	27	27
Crop Insurance	9	10	11	11	33	17	32	25
Interest	5	5	4	4	7	5	11	6
Other	20	20	18	18	19	17	16	16
Total Variable Costs	198	203	192	192	286	234	481	254
Projected Returns^{2/}	1 CWRS*	1 CWAD*	1 CPS	1 CW	1 CAN	1 CAN	1 CW	1 CW
Projected Yield (t/ha)	1.90	1.65	2.25	2.00	1.00	0.75	1.05	1.20
Projected Price (\$/t)	125	155	95	90	355	350	560	255
Projected Revenue	238	256	214	180	355	263	588	306
Net Return (\$/ha)	40	52	22	-12	69	28	107	52

SASKATCHEWAN: Black Soil Zone - conventional seeded stubble

	Wheat CWRS	Barley Malting	Barley Feed ^{4/}	Oats	Canary Seed	Dry Peas Yellow	Flaxseed	Canola
Variable Costs^{3/}				\$/ha				
Seed (inc. treatment)	19	16	16	20	16	44	22	68
Fertilizer	76	76	76	76	76	15	66	82
Chemicals	51	46	46	25	51	68	59	57
Fuel	29	29	29	29	29	32	32	31
Repairs	23	23	23	23	23	33	28	23
Crop Insurance	11	11	11	13	19	17	16	18
Interest	6	5	5	5	6	6	6	7
Other	28	23	23	23	25	21	23	23
Total Variable Costs	243	230	230	215	245	236	252	308
Projected Returns^{2/}	2 CWRS*	SS2R	1 CW	3 CW		2 CAN	2 CW	1 CW
Projected Yield (t/ha)	2.50	2.65	2.80	2.40	0.95	2.05	1.20	1.26
Projected Price (\$/t)	120	130	90	95	240	150	310	260
Projected Revenue	300	345	252	228	228	308	372	328
Net Return (\$/ha)	57	115	22	13	-17	71	120	19

Totals may not add due to rounding

^{1/} Manitoba Agriculture, Food and Rural Initiatives variable costs, Jan. 2005

^{2/} AAFC forecast, February 2005

^{3/} Saskatchewan Agriculture, Food and Rural Revitalization, December 2004

^{4/} Off-Board

* CWRS: 13.5% protein / CWAD: 13.0% protein



CANADA: GRAINS AND OILSEEDS OUTLOOK

February 7, 2005

For 2005-06, total production of grains and oilseeds in Canada is forecast by Agriculture and Agri-Food Canada (AAFC) to decline by 4%, to 61.3 million tonnes (Mt), due to lower trend yields, but remain above the 10-year average of 59.2 Mt. In western Canada, seeded area is expected to shift out of winter wheat, barley, canola and summerfallow into spring wheat, oats and flaxseed. In eastern Canada, a 5% decline in winter wheat area is forecast to be offset by an increase in areas of spring wheat and dry beans, with corn and soybean areas rising marginally. In western Canada, production is forecast to decrease to 46.2 Mt from 48.2 Mt in 2004-05, assuming normal growing conditions during 2005. Trend yields are assumed for both western and eastern Canada, as soil moisture reserves are generally good. It has been assumed that abandonment rates and quality will be normal.

Average world prices for wheat and oilseeds are forecast to decrease from the expected 2004-05 average due to rising stock levels, especially in the major exporting countries. Coarse grain prices are forecast to increase slightly, due to lower US corn production and strong demand. In Canada, prices for all grains and oilseeds will continue to be pressured by the strong Canadian dollar. Factors to watch are: Chinese import demand, South American growing conditions, EU grain export subsidy levels, the US winter wheat condition, ocean freight rates and the Canada/US exchange rate.

WHEAT (ex-durum)

For 2004-05, exports are forecast to increase marginally to 12.6 Mt. Domestic use is forecast to rise by 12%, due to increased feed use resulting from the low quality of the crop in western Canada. Carry-out stocks are forecast to increase by 17% to 5.0 Mt, with most expected to be of low quality. For 2005-06, Canadian production is forecast to decline by 5% from 2004-05, to 19.9 Mt, with lower yields offsetting higher area. Domestic use is expected to decrease by 6%, with feed use falling by over 20% to a near-normal 3.3 Mt, assuming a return to normal crop quality. Exports are projected to increase to 13.3 Mt, assuming that supplies of top-quality CWRS wheat increase to more normal levels. The Canadian Wheat Board (CWB) 2005-06 pool returns for No.1 CWRS 11.5% protein are forecast by AAFC at \$170/t, in-store Vancouver/ St. Lawrence (I/S VC/SL), \$17/t below the CWB Jan. 2004-05 Pool Return Outlook (PRO). Returns for higher quality wheat are expected to decline by a greater amount, assuming a normal quality crop.

DURUM

For 2004-05, exports are forecast to decline by 7%, to 3.2 Mt, due to increased production in the major importing countries. Carry-out stocks are projected to increase by 40%, to 2.5 Mt. For 2005-06, production is forecast to decline by 9%, assuming lower yields. Total supplies are forecast to rise by 4%, to 7.0 Mt, however, due to higher carry-in stocks, vs the 10-year average of 6.3 Mt. Exports are projected to increase to 3.4 Mt, due to increased demand from North Africa and reduced EU production and exports. However, carry-out stocks are forecast to rise by a further 8%, to a near-record 2.7 Mt. Farm stocks are forecast to rise by 15%, to 1.5 Mt, as it is expected that it will be necessary for the CWB to continue to restrict durum deliveries due to limited export demand. CWB pool returns for No.1 CWAD 11.5% protein are forecast by AAFC at \$195/t, I/S VC/SL, down only slightly from 2004-05. The premium for No.1 CWAD 11.5% over No.1 CWRS 11.5% is projected to rise to \$25/t, from \$10/t in 2004-05.

BARLEY

For 2004-05, exports are forecast to decrease by 24% from 2003-04 to 1.85 Mt due mainly to lower selection rates for malting barley. Carry-out stocks are forecast to rise to the burdensome level of 3.7 Mt. For 2005-06, production is forecast to decrease by 8% from 2004-05 to 12.2 Mt, due to lower yields and area. Total supplies, however, are expected to rise slightly, due to higher carry-in stocks. Domestic use is forecast to increase by 5% due to higher feed demand. Exports are projected to increase significantly, to 2.5 Mt, assuming increased supplies of malting quality barley. Carry-out stocks are expected to drop to 3.1 Mt. Off-Board feed barley prices are forecast at \$120/t, \$10/t higher than for 2004-05. CWB pool returns for feed barley are forecast by AAFC to increase slightly from 2004-05. CWB pool returns for Special Select Two Row designated barley are forecast by AAFC at \$185/t, vs the Jan. PRO of \$178/t for 2004-05, due mainly to higher world coarse grain prices.

OATS

For 2004-05, exports are forecast to drop by 4% from 2003-04, to 1.5 Mt, as a result of decreased supplies of milling quality oats in Canada and the weakness in US import demand. Carry-out stocks are projected to increase by 38%, to 1.1 Mt. For 2005-06, production is forecast to increase by 8%, as lower yields are more than offset by higher harvested area. Domestic use is forecast to increase to 2.1 Mt, due to higher feed and industrial demand. Exports are forecast to rise by 20%, due to improved crop quality, increased supplies, and stronger US demand. Carry-out stocks are expected to rise by 9%, to 1.2 Mt. Chicago prices are forecast at C\$130/t, the same as in 2004-05.

CORN

For 2004-05, imports are forecast at 2.1 Mt, marginally lower than 2003-04. Carry-out stocks are expected to decline to 1.0 Mt. For 2005-06, production is forecast to rise marginally to 8.9 Mt, as lower yields are more than offset by higher harvested area. Imports are forecast to rise by 5% to 2.2 Mt. Carry-out stocks are forecast to drop by 15% to 0.85 Mt. The average Chatham price is forecast to increase to \$115/t from \$100/t in 2004-05.

CANOLA

For 2004-05, exports are forecast to drop by 9% to 3.4 Mt. Carry-out stocks are expected to rise to the burdensome level of 1.5 Mt. For 2005-06, production is forecast to fall by 11% to 6.9 Mt due to lower seeded area and yields, but supplies are expected to rise. Domestic crush is forecast to fall by 3% to 3.1 Mt, due to low veg-oil prices. Exports are projected to remain unchanged at 3.4 Mt on support from stable demand from Japan and Mexico. Carry-out stocks are forecast to decline to 1.45 Mt. The average cash price (I/S VC) is forecast to hold steady at \$300/t, due to low US soybean and soyoil prices.

FLAXSEED (excluding solin)

For 2004-05, exports are expected to decline sharply because of reduced supplies. Prices are expected to rise sharply. For 2005-06, production is forecast to double to 1.2 Mt, due to higher area seeded and yields. Exports are forecast to return to a historically normal level due to strong EU demand. Carry-out stocks are expected to increase sharply to a 20-year high of 0.3 Mt. The Thunder Bay cash price is forecast to fall significantly to \$340/t, due to higher carry-out stocks.

SOYBEANS

For 2004-05, exports are expected to rise to a record 0.95 Mt, while domestic crush remains unchanged at 1.5 Mt. For 2005-06, production is expected to decrease marginally to 3.0 Mt, due to lower yields, but supplies are forecast to increase by 5% due to higher carry-in stocks. Food and industrial use is forecast to increase to 1.75 Mt, while exports decline slightly but remain near record levels. Carry-out stocks are forecast to remain historically high. The average Chatham price is forecast to decrease to \$205/t, due to lower US prices.

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CANADA: GRAINS AND OILSEEDS SUPPLY AND DISPOSITION

February 7, 2005

Grain and Crop Year (a)	Area Seeded Harvested -----000 ha-----		Yield t/ha	Production	Imports (b)	Total Supply	Exports (c)	Food and Ind. Use	Feed, Waste & Dockage	Total Dom- estic Use (d)	Carry-out Stocks	Average Price (f) \$/t
----- thousand metric tonnes-----												
Durum												
2003-2004	2,483	2,459	1.74	4,280	1	5,900	3,427	252	220	684	1,788	224.21
2004-2005f	2,230	2,141	2.32	4,962	1	6,751	3,200	255	586	1,051	2,500	197 *
2005-2006f	2,245	2,175	2.06	4,490	1	6,991	3,400	260	411	891	2,700	195 f
Wheat Except Durum												
2003-2004	8,179	8,009	2.41	19,272	16	23,395	12,300	2,775	3,222	6,804	4,292	206.03
2004-2005f	8,170	7,722	2.71	20,898	10	25,200	12,600	2,770	3,990	7,600	5,000	187 *
2005-2006f	8,490	8,175	2.43	19,900	10	24,910	13,300	2,800	3,490	7,110	4,500	170 f
ALL WHEAT												
2003-2004	10,662	10,467	2.25	23,552	18	29,295	15,727	3,027	3,442	7,488	6,080	
2004-2005f	10,399	9,862	2.62	25,860	11	31,952	15,800	3,025	4,576	8,652	7,500	
2005-2006f	10,735	10,350	2.36	24,390	11	31,901	16,700	3,060	3,901	8,001	7,200	
Barley												
2003-2004	5,046	4,446	2.77	12,328	36	13,838	2,445	298	8,574	9,286	2,108	135.80
2004-2005f	4,678	4,050	3.26	13,186	50	15,344	1,850	300	9,089	9,794	3,700	100-120
2005-2006f	4,510	4,040	3.01	12,180	30	15,910	2,500	380	9,525	10,310	3,100	110-130
Corn												
2003-2004	1,265	1,226	7.82	9,587	2,107	12,804	342	2,415	8,892	11,319	1,143	137.18
2004-2005f	1,185	1,072	8.24	8,836	2,100	12,078	150	2,650	8,263	10,928	1,000	90-110
2005-2006f	1,185	1,160	7.67	8,900	2,200	12,100	200	2,700	8,335	11,050	850	105-125
Oats												
2003-2004	2,272	1,575	2.34	3,691	19	4,234	1,557	140	1,569	1,876	800	136.65
2004-2005f	1,995	1,315	2.80	3,683	20	4,504	1,500	150	1,567	1,904	1,100	120-140
2005-2006f	2,120	1,540	2.57	3,960	15	5,075	1,800	170	1,705	2,075	1,200	120-140
Rye												
2003-2004	246	147	2.22	327	0	357	171	47	70	135	50	104.44
2004-2005f	284	165	2.53	418	1	469	250	48	99	164	55	65-85
2005-2006f	230	200	2.15	430	1	486	250	48	101	166	70	70-90
Mixed Grains												
2003-2004	241	135	2.84	384	0	384	0	0	384	384	0	
2004-2005f	233	111	2.87	318	0	318	0	0	318	318	0	
2005-2006f	235	140	2.79	390	0	390	0	0	390	390	0	
TOTAL COARSE GRAINS												
2003-2004	9,070	7,529	3.50	26,317	2,161	31,617	4,516	2,900	19,489	23,001	4,101	
2004-2005f	8,374	6,713	3.94	26,441	2,171	32,713	3,750	3,148	19,336	23,108	5,855	
2005-2006f	8,280	7,080	3.65	25,860	2,246	33,961	4,750	3,298	20,056	23,991	5,220	
Canola												
2003-2004	4,736	4,689	1.44	6,771	243	7,908	3,754	3,390 ¹	110	3,542	612	387.04
2004-2005f	5,319	4,938	1.57	7,728	220	8,560	3,400	3,200 ¹	415	3,660	1,500	280-320
2005-2006f	5,015	4,890	1.41	6,900	225	8,625	3,400	3,100 ¹	630	3,775	1,450	280-320
Flaxseed												
2003-2004	745	728	1.04	754	22	905	609	n/a	n/a	199	97	382.13
2004-2005f	728	528	0.98	517	30	644	450	n/a	n/a	144	50	500-600
2005-2006f	1,000	974	1.23	1,200	20	1,270	700	n/a	n/a	245	325	320-360
Soybeans												
2003-2004	1,051	1,047	2.17	2,268	587	3,000	913	1,500 ¹	319	1,947	140	395.04
2004-2005f	1,229	1,178	2.59	3,048	300	3,488	950	1,500 ¹	488	2,113	425	205-245
2005-2006f	1,215	1,199	2.50	3,000	250	3,675	900	1,750 ¹	490	2,350	425	185-225
TOTAL OILSEEDS												
2003-2004	6,531	6,464	1.52	9,794	852	11,813	5,276	n/a	n/a	5,688	849	
2004-2005f	7,277	6,643	1.70	11,293	550	12,692	4,800	n/a	n/a	5,917	1,975	
2005-2006f	7,230	7,063	1.57	11,100	495	13,570	5,000	n/a	n/a	6,370	2,200	
TOTAL GRAINS AND OILSEEDS												
2003-2004	26,263	24,461	2.44	59,663	3,030	72,725	25,518	n/a	n/a	36,177	11,030	
2004-2005f	26,050	23,219	2.74	63,595	2,732	77,357	24,350	n/a	n/a	37,677	15,330	
2005-2006f	26,245	24,493	2.50	61,350	2,752	79,432	26,450	n/a	n/a	38,362	14,620	

(a) August - July crop year except corn and soybeans which are September - August.

(b) Excludes imports of products.

(c) Includes exports of products for wheat, oats, barley, and rye. Excludes exports of oilseed products.

(d) Total = F&I + FWD + Seed Use

(e) Industrial use excludes flaxseed due to data confidentiality.

(f) Crop year average prices: No.1 CWRS 11.5% protein and No.1 CWAD 11.5% (CWB final price I/S St. Lawrence/Vancouver), Barley (No. 1 feed, WCE, cash, I/S Lethbridge), Corn (No.2 CE, cash, I/S Chatham), Oats (US No. 2 Heavy, CBoT nearby futures); Rye (No.2 Canada, Elevator bids at select western delivery points); Canola (No. 1 Canada, WCE, cash, I/S Vancouver); Flaxseed (No. 1 CW, WCE, cash, I/S Thunder Bay); Soybeans (No. 2, I/S Chatham).

* CWB Pool Return Outlook (PRO) - January 2005

^{1/} Source for Food and Industrial Use is based on data from the Canadian Oilseed Processors Association.

f: forecast - Agriculture and Agri-Food Canada - February 7, 2005

Source: Statistics Canada, Cereals and Oilseeds Review Series, Cat. No. 22-007



CANADA: PULSE AND SPECIAL CROPS OUTLOOK

February 7, 2005

For 2005-06, total area seeded to pulse and special crops in Canada is forecast to decrease by 5%, from 2004-05, as increases for dry beans, sunflower seed and chickpeas are more than offset by decreases for lentils, mustard seed and canary seed. Seeded areas for dry peas and buckwheat are expected to be similar to 2004-05. It is assumed that precipitation will be normal for the winter, spring and summer. Trend yields are assumed for both western and eastern Canada, as soil moisture reserves are generally good. It has been assumed that the abandonment rate and average quality will be normal.

Total production in Canada is forecast to decrease by 10%, from 2004-05, to 4.69 million tonnes (Mt). Total supply is expected to decrease marginally to 5.73 Mt as higher carry-in stocks offset most of the decrease in production. Exports and domestic use are forecast to increase due to stronger demand. Carry-out stocks are expected to decrease. Average prices, over all types, grades and markets, are forecast to increase for chickpeas and mustard seed, decrease for dry beans and sunflower seed, and be the same for dry peas, lentils, canary seed and buckwheat. However, prices are expected to be very sensitive to any production problems. The main factor to watch will be precipitation during the spring and summer in Canada. Other factors to watch are the exchange rates of the Canadian dollar against the US dollar and other currencies, ocean shipping rates and growing conditions in major producing regions, especially India, Mexico, United States, European Union, Turkey and Australia.

DRY PEAS

For 2004-05, due to higher production and supply, lower prices and stronger demand, exports are forecast to increase sharply. The average price is forecast to decrease, compared to 2003-04, as carry-out stocks increase, with a stocks-to-use ratio (s/u) of 16%.

For 2005-06, the area seeded is forecast to be similar to 2004-05. Production and supply are forecast to decrease due to lower trend yields. World supply is expected to increase marginally to 12.65 Mt because of higher carry-in stocks, but this is expected to be offset by increased use. Canadian exports are expected to remain stable, but domestic use is forecast to increase due to stronger demand in the feed sector. Carry-out stocks are forecast to decrease, with a s/u of 8%. The average price, over all types, grades and markets, is forecast to be the same as in 2004-05.

LENTILS

For 2004-05, due to higher production and supply, lower prices and higher demand, exports are forecast to increase sharply. The average price is forecast to decrease, as carry-out stocks increase, with a s/u of 15%.

For 2005-06, the seeded area is forecast to decrease by 5%. Production and supply are forecast to decrease due to the lower seeded area and lower trend yields. World supply is forecast to increase slightly to 4.0 Mt. Canadian exports are expected to remain stable and carry-out stocks are forecast to increase, with a s/u of 20%. The average price, over all types and grades, is forecast to be the same as in 2004-05, as pressure from higher world supply is offset by higher average quality.

DRY BEANS

For 2004-05, production and supply decreased significantly in Canada and the US. Canadian exports are forecast to decrease because of lower supply, as carry-out stocks decrease to a low level.

For 2005-06, area seeded is forecast to increase by 15%. Production and supply are expected to increase, due to higher area, lower abandonment and higher trend yields. In the US, production is expected to increase by 37% to 1.065 Mt, while supply increases by only 8% to 1.135 Mt due to lower carry-in stocks. Canadian exports are

forecast to increase due to the higher supply.

Carry-out stocks are expected to increase, with a s/u of 6%. The average price, over all classes and grades, is forecast to decrease due to the higher supply.

CHICKPEAS

For 2004-05, due to lower production and supply, exports are forecast to decrease. The average price is forecast to increase, as carry-out stocks decrease to a low level.

For 2005-06, the area seeded is forecast to increase by 15%. Production is expected to increase, as higher area and lower abandonment more than offsets lower trend yields. Supply is forecast to decrease, due to lower carry-in stocks. World supply is expected to decrease marginally to 8.82 Mt. Canadian exports are forecast to remain stable, while carry-out stocks remain at a low level. The average price, over all types, grades and sizes, is forecast to increase due to higher average quality.

MUSTARD SEED

For 2004-05, due to higher production and supply, lower prices and stronger demand, exports are forecast to increase. Carry-out stocks are expected to increase, with a s/u of 70%, and the average price is forecast to decrease sharply.

For 2005-06, area seeded is expected to decrease by 25%. Production and supply are forecast to decrease because of lower seeded area and lower trend yields. Exports are expected to rise and carry-out stocks are forecast to decrease, with a s/u ratio of 48%. The average price, over all types and grades, is expected to increase due to the lower supply.

CANARY SEED

For 2004-05, due to higher production and supply, lower prices and higher demand, exports are forecast to increase. Carry-out stocks are expected to increase, with a s/u ratio of 62%. The average price is forecast to decrease sharply due to the higher supply.

For 2005-06, area seeded is expected to decrease by 25%. Production is forecast to decrease due to lower area, but supply is expected to increase as higher carry-in stocks more than offset the fall in production. World supply is forecast to increase marginally to 415,000 t. Although

Canadian exports are expected to increase, due to higher demand, carry-out stocks are forecast to increase, with a s/u ratio of 64%. The average price is forecast to be the same as in 2004-05, in line with the relatively stable supply.

SUNFLOWER SEED

For 2004-05, due to sharply lower production and supply, exports and domestic use are expected to decrease, and carry-out stocks are forecast to decrease to a low level. The average price is forecast to increase due to the lower supply.

For 2005-06, area seeded is expected to increase by 15%. Production and supply are forecast to increase due to higher area, lower abandonment and higher trend yields. US production is expected to increase significantly. World supply is expected to increase slightly to 26.7 Mt. Canadian exports and domestic use are forecast to increase because of the higher supply. Carry-out stocks are expected to increase, with a s/u of 7%. The average price, over both types and all grades, is forecast to decrease because of the higher supply in US and Canada.

BUCKWHEAT

For 2004-05, due to lower production and supply, exports and carry-out stocks are expected to decrease. The average price is forecast to be the same as in 2003-04, as pressure from higher world supply is offset by lower Canadian supply. For 2005-06, Canadian production and supply are forecast to increase, with a stable seed area, lower abandonment and higher trend yields. Exports are forecast to increase and carry-out stocks are expected to be very low. The average price is forecast to be the same as in 2004-05, as support from lower world supply is offset by higher Canadian supply.

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CANADA: PULSE AND SPECIAL CROPS SUPPLY AND DISPOSITION

February 7, 2005

Grain and Crop Year (a)	Area Seeded	Area Harvested	Yield	Production	Imports (b)	Total Supply	Exports (c)	Total Domestic Use (d)	Carry-out Stocks	Average Price (e)
	000 ha		t/ha							\$/t
----- thousand metric tonnes -----										
Dry Peas										
2001-2002	1,344	1,285	1.57	2,023	27	2,245	1,381	589	275	190
2002-2003	1,297	1,050	1.30	1,365	41	1,681	628	743	310	210
2003-2004	1,303	1,271	1.67	2,124	24	2,458	1,317	936	205	175
2004-2005f	1,388	1,345	2.48	3,338	20	3,563	2,000	1,063	500	120-150
2005-2006f	1,390	1,355	2.12	2,875	20	3,395	2,000	1,145	250	120-150
Lentils										
2001-2002	708	664	0.85	566	6	828	478	219	131	320
2002-2003	601	387	0.91	354	9	494	320	119	55	390
2003-2004	554	536	0.97	520	5	580	368	174	38	420
2004-2005f	778	750	1.28	961	5	1,004	570	304	130	305-335
2005-2006f	740	715	1.17	840	5	975	570	245	160	305-335
Dry Beans										
2001-2002	184	175	1.70	298	42	390	263	97	30	725
2002-2003	230	219	1.89	414	40	484	297	117	70	445
2003-2004	167	167	2.13	356	31	457	344	83	30	495
2004-2005f	163	126	1.75	220	35	285	205	70	10	655-685
2005-2006f	188	185	1.84	340	30	380	285	75	20	525-555
Chickpeas										
2001-2002	486	467	0.97	455	12	497	146	211	140	380
2002-2003	221	154	1.01	156	9	305	105	140	60	300
2003-2004	63	63	1.08	68	2	130	74	36	20	330
2004-2005f	47	39	1.31	51	5	76	35	36	5	360-390
2005-2006f	54	50	1.20	60	5	70	35	30	5	385-415
Mustard Seed										
2001-2002	166	158	0.66	105	3	213	171	n/a	33	685
2002-2003	289	255	0.60	154	9	196	114	22	60	595
2003-2004	340	328	0.69	226	2	288	121	75	92	390
2004-2005f	317	304	1.00	305	2	399	150	84	165	295-325
2005-2006f	237	230	0.80	185	2	352	160	77	115	320-350
Canary Seed										
2001-2002	170	163	0.70	114	0	184	134	20	30	660
2002-2003	287	227	0.78	176	0	206	164	22	20	575
2003-2004	251	243	0.93	226	0	246	170	n/a	67	345
2004-2005f	356	318	0.94	300	0	367	180	47	140	225-255
2005-2006f	267	260	0.94	245	0	385	185	50	150	225-255
Sunflower Seed										
2001-2002	73	67	1.55	104	29	179	92	65	22	355
2002-2003	100	95	1.65	157	21	200	105	60	35	440
2003-2004	119	115	1.30	150	16	201	96	80	25	405
2004-2005f	87	59	0.92	54	25	104	40	59	5	480-510
2005-2006f	100	95	1.47	140	15	160	80	70	10	410-440
Buckwheat										
2001-2002	16	14	1.14	16	1	17	6	8	3	325
2002-2003	12	12	1.00	12	1	16	6	7	3	340
2003-2004	9	9	1.11	10	1	14	5	7	2	355
2004-2005f	9	7	0.71	5	1	8	2	6	0	340-370
2005-2006f	9	9	1.00	9	1	10	4	6	0	340-370
Total Pulse And Special Crops (c)										
2001-2002	3,131	2,993	1.23	3,681	120	4,553	2,671	1,218	664	
2002-2003	3,025	2,399	1.16	2,788	130	3,582	1,739	1,230	613	
2003-2004	2,797	2,732	1.35	3,680	81	4,374	2,495	1,400	479	
2004-2005f	3,136	2,948	1.78	5,234	93	5,806	3,182	1,669	955	
2005-2006f	2,976	2,899	1.62	4,694	78	5,727	3,319	1,698	710	

(a) August-July crop year.

(b) Excludes products.

(c) Includes Pulse Crops (dry peas, lentils, dry beans, chick peas) and Special Crops (mustard seed, canary seed, sunflower seed, buckwheat)

(d) Includes food, feed, seed, waste and dockage.

(e) Producer price, FOB plant. Average over all types, grades and markets.

f: forecast, Agriculture and Agri-Food Canada, February 7, 2005

n/a Total domestic use is calculated residually. Based on current data on exports and carry-out stocks, it appears that Statistics Canada's production estimate may be low or carry-out stocks high resulting in a very low residual.

Source: Statistics Canada and industry consultations.

A. SELLING PRICE OF BULK FEED INGREDIENTS AT SELECTED POINTS

February 7, 2005

SELECTED POINT	REFERENCE PERIOD	PRICE BASIS	(1) WHEAT	OATS	BARLEY	CORN	PRICE BASIS	SOYBEAN MEAL	CANOLA MEAL	MILL FEEDS	MEAT MEAL	FISH MEAL	ANIMAL FAT	GLUTEN MEAL	GLUTEN FEED	FEED PEAS	DEHY ALFALFA	FEATHER MEAL
Vancouver	January 7, 2005	FOB	125.00	N/A	127.00	143.50		260.00	143.00	115.00		875.00	500.00					330.00
BC	(4) (7) January 7, 2005	FOB	125.00	N/A	127.00	142.50		264.50	190.50	115.00		875.00	500.00					330.00
Calgary	January 7, 2005	FOB	104.00	N/A	108.00	138.00		262.50			145.00	975.00	535.00					310.00
AB	(4) January 31, 2005	FOB	104.00	N/A	108.00	140.00		263.50	N/A		155.00	975.00	535.00					310.00
Saskatoon	February 7, 2005	FOB	83.00	141.00	93.00	130.00		250.50	N/A		160.00	N/A	535.00					360.00
SK	(4) January 31, 2005	FOB	83.50	146.00	93.00	130.00		252.00	N/A		170.00	N/A	535.00					360.00
Winnipeg	February 7, 2005	FOB	125.00	140.00	107.50	116.00		245.00	N/A		290.00	970.00	515.00			115.33		330.00
MB	(4) (9) January 31, 2005	FOB	126.00	140.00	110.00	115.00		246.50	N/A		290.00	970.00	515.00					340.00
Thunder Bay	February 7, 2005	In-Store	98.50	N/A	106.20													
ON	(8) January 31, 2005	On Board	100.50	N/A	107.45													
Lake Ports	February 7, 2005	Vessel				95.94												
USA	January 31, 2005	Vessel				95.23												
Bay Ports	February 7, 2005	In-Store	134.00	205.00	138.00													
ON	(3) January 31, 2005	In-Store	135.00	205.00	140.00													
Chatham	February 7, 2005	Track				103.24												
ON	January 31, 2005					102.97												
Toronto	February 7, 2005	N/A																
ON	(5) January 31, 2005						FOB				190.00	N/A	420.00	425.00	114.00		265.00	300.00
Hamilton	February 7, 2005	N/A									190.00	N/A	420.00	425.00	114.00		265.00	300.00
ON	January 31, 2005							242.29	#N/A									
Eastern	February 7, 2005	FOB				104.50		243.72	#N/A									
ON	January 31, 2005																	
London	February 7, 2005	FOB				106.50												
ON	January 31, 2005																	
Port Colborne	February 7, 2005	FOB									51.50							
ON	January 31, 2005										51.00							
Cardinal	February 7, 2005	FOB																
ON	January 31, 2005																	
Montreal	February 7, 2005		133.00	150.00	142.00	125.50		252.40	178.88	67.67	190.00	850.00	408.00	425.00	114.00		270.00	300.00
QC	(5) January 31, 2005		135.00	150.00	145.50	125.00	FOB	256.39	183.79	66.67	190.00	850.00	424.00	425.00	114.00		270.00	300.00
Trois-Rivières	February 7, 2005	In-Store	135.90		139.40	129.13												
QC	January 31, 2005		130.00		141.90	129.42												
St. Jean QC (2)	February 7, 2005	FOB	143.02	122.44	143.27	115.22		247.57										
St. Hyacinthe QC	January 31, 2005		145.57	124.48	146.10	115.75		248.62										
Quebec	February 7, 2005	In-Store	131.63	N/A	155.42	117.75		243.65										
QC	January 31, 2005		133.00	N/A	161.26	118.88		249.76										
Trois	February 7, 2005	Track	156.86		161.49	163.83		286.63			245.55		505.00					300.00
NS	January 31, 2005		157.53		161.49	163.90	FOB	289.48	201.10		245.55		505.00					300.00
Trois	February 7, 2005	Water	N/A	N/A	N/A	N/A												
NS	January 31, 2005	& Truck	N/A	N/A	N/A	N/A												
Halifax	February 7, 2005	In-Store	N/A	N/A	N/A	150.00		324.25		297.50		1,100.00	N/A					
NS	(6) January 31, 2005		N/A	N/A	N/A	159.00		325.60		297.50		1,100.00	N/A					

Source: Market Analysis Division, Agriculture and Agri-Food Canada; Thunder Bay prices are based on the Winnipeg Commodity Exchange (WCE) market close US\$1.00=CAN\$1.2498, closing date February 4, 2005
 Contact: Valerie Charrier, A/Statistical Clerk Telephone: (204) 983-0581 Fax: (204) 983-5524 Email: charrier@agr.gc.ca N/A = not available

Footnotes: All prices in Canadian dollars per metric tonne based on survey respondents.

Grain grades (unless otherwise specified) are: Western or Eastern Feed Wheat, Feed Oats, No. 1 Canada Western or Eastern Barley, No. 2 Canada Yellow Corn, No. 3 US Yellow Corn, Soybean Meal 48 % Protein, Canola Meal based on minimum standard of 35% Protein, Fish Meal: white fish and/or herring meal, Gluten Meal 60% Protein, Gluten Feed 21% Protein.

(1) Wheat 3CWSR (2) Canadian Corn #3 or #2 (3) US Corn (4) Fish Meal from West Coast 63% Protein (5) Fish Meal 60% Protein (6) Herring Fish Meal (7) Fraser Valley (8) Wheat & Barley (Basis - Cash Price WCE) (9) Oats 3CW

B. CASH PRICES AND REPLACEMENT VALUES

February 7, 2005

PRAIRIE GRAINS

Selected Points	Price Basis		This week 7-Feb-05	Last week 24-Jan-05	Month ago 10-Jan-05	Year ago 9-Feb-04
From: Thunder Bay(WCE) (2)	In-Store	Wheat	97.00	103.00	103.00	160.00
(CBOT)		Oat	161.75	170.00	159.40	151.25
(Lethbridge)		Barley	108.00	112.00	113.00	127.00
To: Bayport, ON (1)	In-store	Wheat	120.61	126.61	126.61	183.61
		Oat	N/A	N/A	N/A	N/A
		Barley	135.39	139.39	140.39	154.39
Montreal, QC (1)	In-store	Wheat	125.03	131.03	131.03	188.03
		Oat	N/A	N/A	N/A	N/A
		Barley	140.31	144.31	145.31	159.31
Moncton, NB	Truck via Halifax	Wheat	147.25	153.25	153.25	210.25
		Oat	N/A	N/A	N/A	N/A
		Barley	164.50	168.50	169.50	183.50
Truro, NS	Truck via Halifax	Wheat	141.22	147.22	147.22	204.22
		Oat	N/A	N/A	N/A	N/A
		Barley	162.00	166.00	167.00	181.00
Halifax, NS (1)	In-store	Wheat	132.28	138.28	138.28	195.28
		Oat	N/A	N/A	N/A	N/A
		Barley	148.30	152.30	153.30	167.30
Stephenville, NL	Track / Truck via Sydney	Wheat	195.63	201.63	201.63	258.63
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A
Melfort, SK		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Bayport, ON		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Montreal, QC		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Moncton, NB		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Truro, NS		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track / Truck via Sydney	Barley	N/A	N/A	N/A	N/A
Stephenville, NL		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A

Selected Points	Price Basis		This week 7-Feb-05	Last week 24-Jan-05	Last week 10-Jan-05	Year ago 9-Feb-04
Corn						
From: US Lake Port	On Board Vessel		95.94	94.23	98.99	147.55
To: Montreal, QC (1)	In-store		114.98	113.27	118.03	166.59
From: Chicago (IL)	Track		99.88	99.04	104.82	147.55
To: Montreal, QC	Track		128.74	127.90	133.68	176.41
From: Chatham, ON	Track		103.24	102.13	105.49	153.01
To: Montreal, QC	Track		127.11	126.00	129.36	176.88

Soymeal 48% Protein

From: Hamilton, ON			242.29	243.39	251.10	351.80
To: Montreal, QC	Track		266.62	267.72	275.43	376.13
Moncton, NB	Track		285.37	286.47	294.18	394.88
Truro, NS	Track		288.59	289.69	297.40	398.10
Stephenville, NL	Track / Truck via Sydney		337.22	338.32	346.03	446.73

1. Prices include ONE month of storage and interest charges n/a = not available
 2. Thunder Bay prices are based on the Winnipeg Commodities Exchange market close (Cash price)

Source: Market Analysis Division, Agriculture and Agri-Food Canada

Contact: Valérie Chartier: A/Statistical Clerk (204) 983-0581 Fax: (204) 983-5524 e-mail: chartierv@agr.gc.ca

Footnotes: All prices quoted in Canadian dollars per metric tonne.

Grain grades (unless otherwise specified) are: Canada Western Feed Wheat, Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn.
 Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec.

Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable

A. SELLING PRICE OF BULK FEED INGREDIENTS AT SELECTED POINTS

January 24, 2005

SELECTED POINT	REFERENCE PERIOD	PRICE BASIS	(1) WHEAT	OATS	BARLEY	CORN	PRICE BASIS	SOYBEAN MEAL	CANOLA MEAL	MILL-FEEDS MEAL	FISH MEAL	ANIMAL FAT	GLUTEN MEAL	GLUTEN FEED	FEED PENS	DEHY ALFALFA	FEATHER MEAL
Vancouver	January 24, 2005	FOB	122.00	N/A	125.00	142.00		264.00	151.00	115.00		500.00					335.00
BC	(4) (7) January 17, 2005	FOB	122.00	N/A	125.00	140.00		262.00	151.00	117.00		500.00					325.00
Calgary	January 24, 2005	FOB	104.00	N/A	112.00	140.00		266.50			165.00	535.00					310.00
AB	(4) January 17, 2005	FOB	104.00	N/A	112.00	138.00		266.50			165.00	535.00					300.00
Saskatoon	January 24, 2005	FOB	85.00	134.50	92.00	130.00		264.00	N/A		180.00	N/A					360.00
SK	(4) January 17, 2005	FOB	83.50	131.00	93.00	133.00		269.00	N/A		180.00	N/A					350.00
Winnipeg	January 24, 2005	FOB	129.00	140.00	111.00	115.00		242.00	N/A		290.00	1007.50					340.00
MB	(4) (9) January 17, 2005	FOB	126.50	140.00	110.00	116.00		248.50	N/A		290.00	1012.50					350.00
Thunder Bay	January 24, 2005	In-Store	103.00	N/A	107.85												
ON	(8) January 17, 2005	On Board	103.00	N/A	108.80												
Lake Ports	January 24, 2005	On Board				94.23											
USA	January 17, 2005	Vessel				93.34											
Bay Ports	(3) January 24, 2005	In-Store	135.00	205.00	140.00												
ON	January 17, 2005	In-Store	134.00	205.00	150.00												
Chatham	January 24, 2005	Track				102.13											
ON	January 17, 2005					102.21											
Toronto	January 24, 2005	N/A															
ON	(5) January 17, 2005	N/A															
Hamilton	January 24, 2005	N/A						243.39	#N/A		179.00	N/A	420.00	114.00		265.00	305.00
ON	January 17, 2005	FOB						237.88	#N/A		168.00	N/A	440.00	114.00		265.00	300.00
Eastern	January 24, 2005	FOB				101.75											
ON	January 17, 2005	FOB				107.50											
London	January 24, 2005	FOB															
ON	January 17, 2005	FOB															
Port Colborne	January 24, 2005	FOB															
ON	January 17, 2005	FOB															
Cardinal	January 24, 2005	FOB															
ON	January 17, 2005	FOB															
Montreal	January 24, 2005		133.00	150.00	144.00	124.00		255.68	172.73	69.00	179.00	850.00	424.00	114.00		270.00	310.00
QC	(5) January 17, 2005		133.00	150.00	146.00	124.00		252.53	172.33	74.00	168.00	850.00	424.00	114.00		270.00	310.00
Trois-Rivières	January 24, 2005	In-Store	134.10		142.70	129.91											
QC	January 17, 2005		134.10		144.60	130.01											
St. Jean QC (2)	January 24, 2005	FOB	145.22	124.48	145.70	115.75		242.10									
St. Hyacinthe QC	January 17, 2005		143.97	123.20	145.23	116.78		247.83									
Quebec	January 24, 2005	In-Store	131.70	N/A	160.81	118.31		248.03									
QC	January 17, 2005		131.03	N/A	161.90	118.35		248.71									
Truro	January 24, 2005	Track	157.86		161.49	164.03		283.48			229.05	505.00					310.00
NS	January 17, 2005		155.86		166.48	165.48		203.63			223.55	505.00					310.00
Truro	January 24, 2005	Water	N/A	N/A	N/A	N/A											
NS	January 17, 2005	& Truck	N/A	N/A	N/A	N/A											
Halifax	January 24, 2005	In-Store	N/A	N/A	N/A	161.05		315.00									
NS	(6) January 17, 2005		N/A	N/A	N/A	#N/A		307.50			297.50						

Source: Market Analysis Division, Agriculture and Agri-Food Canada; Thunder Bay prices are based on the Winnipeg Commodity Exchange (WCE) market close US\$1.00=CANS1.2212, closing date January 21, 2005
 Contact: Valérie Charlier A/Statistical Clerk Telephone: (204) 983-0581 Fax: (204) 983-5524 Email: charlier@agr.gc.ca N/A = not available

Footnotes: All prices in Canadian dollars per metric tonne based on survey respondents.

Grain grades (unless otherwise specified) are: Western or Eastern Feed Wheat, Feed Oats, No.1 Canada Western or Eastern Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn, Soybean Meal 48 % Protein, Canola Meal based on minimum standard of 35% Protein, Fish Meal: white fish and/or herring meal, Gluten Meal 60% Protein, Gluten Feed 21% Protein.

(1) Wheat 3CWSR (2) Canadian Corn #3 or #2 (3) US Corn (4) Fish Meal from West Coast 63% Protein (5) Fish Meal 60% Protein (6) Herring Fish Meal (7) Fraser Valley (8) Wheat & Barley (Basis - Cash Price WCE) (9) Oats 3CW

B. CASH PRICES AND REPLACEMENT VALUES

January 24, 2005

PRAIRIE GRAINS

Selected Points	Price Basis		This week 24-Jan-05	Last week 10-Jan-05	Month ago 29-Dec-04	Year ago 26-Jan-04
From: Thunder Bay(WCE) (2)	In-Store	Wheat	103.00	103.00	101.00	160.00
(CBOT)		Oat	170.00	159.40	156.40	158.25
(Lethbridge)		Barley	112.00	113.00	112.00	126.00
To: Bayport, ON (1)	In-store	Wheat	126.61	126.61	124.61	183.61
		Oat	N/A	N/A	N/A	N/A
		Barley	139.39	140.39	139.39	153.39
Montreal, QC (1)	In-store	Wheat	131.03	131.03	129.03	188.03
		Oat	N/A	N/A	N/A	N/A
		Barley	144.31	145.31	144.31	158.31
Moncton, NB	Truck via Halifax	Wheat	153.25	153.25	151.25	210.25
		Oat	N/A	N/A	N/A	N/A
		Barley	168.50	169.50	168.50	182.50
Truro, NS	Truck via Halifax	Wheat	147.22	147.22	145.22	204.22
		Oat	N/A	N/A	N/A	N/A
		Barley	166.00	167.00	166.00	180.00
Halifax, NS (1)	In-store	Wheat	138.28	138.28	136.28	195.28
		Oat	N/A	N/A	N/A	N/A
		Barley	152.30	153.30	152.30	166.30
Stephenville, NL	Track / Truck via Sydney	Wheat	201.63	201.63	199.63	258.63
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A
Melfort, SK		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Bayport, ON		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Montreal, QC		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Moncton, NB		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Truro, NS		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track / Truck via Sydney	Barley	N/A	N/A	N/A	N/A
Stephenville, NL		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A

Selected Points	Price Basis		This week 24-Jan-05	Last week 10-Jan-05	Month ago 29-Dec-04	Year ago 26-Jan-04
Corn						
From: US Lake Port	On Board Vessel		94.23	98.99	105.31	144.09
To: Montreal, QC (1)	In-store		113.27	118.03	124.35	163.13
From: Chicago (IL)	Track		99.04	104.82	104.82	143.06
To: Montreal, QC	Track		127.90	133.68	133.63	171.92
From: Chatham, ON	Track		102.13	105.49	106.74	152.39
To: Montreal, QC	Track		126.00	129.36	130.61	176.26

Soymeal 48% Protein						
From: Hamilton, ON			243.39	251.10	251.10	358.30
To: Montreal, QC	Track		267.72	275.43	275.43	382.63
Moncton, NB	Track		286.47	294.18	294.18	401.38
Truro, NS	Track		289.69	297.40	297.40	404.60
Stephenville, NL	Track / Truck via Sydney		338.32	346.03	346.03	453.23

1. Prices include ONE month of storage and interest charges n/a = not available

2. Thunder Bay prices are based on the Winnipeg Commodities Exchange market close (Cash price)

Source: Market Analysis Division, Agriculture and Agri-Food Canada

Contact: Valérie Chartier: A/Statistical Clerk (204) 983-0581 Fax: (204) 983-5524 e-mail: chartierv@agr.gc.ca

Footnotes: All prices quoted in Canadian dollars per metric tonne.

Grain grades (unless otherwise specified) are: Canada Western Feed Wheat, Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn.

Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Québec.

Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable

Bi-weekly Bulletin

February 18, 2005 Volume 18 Number 4

MALTING BARLEY: SITUATION AND OUTLOOK

Lower supplies of malting barley in Australia and Canada are expected to continue to provide strong support for malting barley export prices in 2004-05. However, this has been partly offset by downward price pressure from increased malting barley supplies in the EU, the strength of the Canadian dollar and high ocean freight rates. The low quality of the 2005-06 barley crops in Canada is expected to reduce Canadian exports of malting barley. This issue of the Bi-weekly Bulletin examines the situation and outlook for malting barley.

WORLD BARLEY MARKET

Barley accounts for 15% of world coarse grains use, second only to corn (68%). The barley share, however, is trending down. The increasing share for corn is due mainly to higher productivity gains, stronger demand from the growing poultry and hog industries and growth in industrial use.

The barley market consists of two major segments: the feed barley market and the malting barley market. In order to be selected for malting barley, the barley must meet certain quality standards, the most important of which are the protein content, extraction rates, plumpness and germination. If it is not selected for malting, the barley is used for livestock feed. In Canada, generally all barley is either the two-row or six-row variety but there are feed vs. malting varieties. About 70% of world barley is used for animal feed, 20% for malting, and 5% for direct food use. Trade in barley grain averaged 16 Mt over the past ten years, of which about 30% was malting barley.

For 2004-05, world barley production is forecast by the USDA to increase to 153 Mt, compared to 142 Mt for 2003-04 and the five-year average of 135 Mt. With the exception of Australia, production is expected to increase in all major exporting countries, especially in the EU-25 and Ukraine. Supplies are expected to increase by 3% from 2003-04, to 174 Mt, as increased production is only partially offset by lower carry-in stocks. World demand for barley, however, is forecast to decrease by 1% from 2003-04 to 145 Mt, but remain significantly higher than the five year average of 137 Mt. The major factor driving down world barley demand

is the reduction of feed barley consumption in the EU and Russia from last year's high to a more normal level. With production exceeding consumption by 7 Mt, world carry-out stocks are expected to recover to 29 Mt.

World barley trade is forecast by the USDA to increase from 15.1 Mt to 15.3 Mt. While exports from the EU and Ukraine are expected to increase significantly, exports from Australia and Canada are forecast to decline sharply. Imports by Saudi Arabia and China are forecast to increase.

WORLD MALTING BARLEY MARKET

The availability of malting barley depends on conditions in the general barley market. In general, high production of "barley" will imply high production of malting barley. However, crop conditions and the marketing system/infrastructure also play critical roles.

For 2004-05, world malting barley supplies are forecast by industrial sources to increase as higher production in the EU more than offsets lower production in Canada and Australia. World trade in malting barley is forecast to increase by 4% from 2003-04 to 5.1 Mt. Exports are expected to increase for the EU-25 and the US but the low quality of the barley crop in both Canada and Australia will reduce their exportable supplies.

MAJOR EXPORTERS

Lower Exports from Australia on a Smaller and Lower Quality Crop

Australia is the world's leading exporter of malting barley, accounting for about one-third of world trade over the last five

years, at an average of 1.7 Mt. The selection rate for malting barley in Australia averaged 36% of the crop and ranged between 30% and 49% over the last five years, the highest among major exporters

As the major competitor for Canada, Australia plays a dominant role in China, Japan, South Korea and other Asian markets. Australian barley is generally of lower protein content than Canadian barley, and enjoys low transportation costs, both inland and overseas. As a result it is generally very competitive in terms of price and quality. Canada and Australia also compete in the South African market.

For 2004-05, barley production in Australia is forecast by the Australian Bureau of Agricultural and Resource Economics (ABARE) at 6.2 Mt, 28% below last year's record crop and 4% lower than the 5-year average, due to a 6% decrease in area seeded and lower yields. Low subsoil moisture levels and below average rainfalls in September and October have reduced yields from the exceptional 2003-04 season. Production in South Australia, Western Australia, and Victoria, the top three producing states, is estimated to have dropped by more than 30%. Severe frost, unusual warmer temperature, and rain at harvest have adversely affected crop quality and the potential selection rate for malting barley.

As a result, malting barley supplies for the 2004-05 marketing year (Nov-Oct) are forecast by ABARE to decrease by 24% from 2003-04 to 2.20 Mt of which 0.17 Mt is expected to be absorbed by the domestic market, 0.56 Mt to be

exported as barley malt and about 1.50 Mt to be exported as malting barley. This represents a 30% decrease in Australia's malting barley exports from the record of 2.1 Mt in 2003-04 and an 8% drop from the five year average of 1.59 Mt.

Higher EU Production and Exports

The EU is the second largest exporter of malting barley and the world's largest exporter of barley malt. France is the leading EU exporter of malting barley, followed by Denmark and the new members, the Czech Republic and Hungary. The EU also enjoys the most diversified markets among the major exporters. China, Russia, Brazil, Colombia and Peru are among its major markets.

EU malting barley is dominated by two-row spring varieties. However, some two-row and six-row winter barley is grown in northwest Europe. The EU also has a relatively low select rate, of malting barley from the whole barley crop, at 20-25%. Although higher than the average of 16% for Canada, this is much lower than in Australia. The EU is also different from the other major exporters in that more of its malting barley production, 60-65%, is processed domestically, rather than exported unprocessed as grain, while that ratio is only 45% for Canada and one third for Australia.

For 2004-05, barley production in the EU-25 is estimated by the USDA to reach a five-year high of 61.8 Mt, 13% higher than last year and 8% larger than the average of last 5 years. A milder winter and adequate soil moisture boosted yields significantly in France, Germany, Spain and other member states, despite a slight decrease in area harvested. Meanwhile, with the substitution of feed wheat and corn for barley, domestic feed use is forecast to return to a more normal level of 38.0 Mt from last year's 41.0 Mt, although domestic food and industrial use remains unchanged at 15.9 Mt. EU barley exports are forecast to partially recover from last year's 1.0 Mt to 3.3 Mt, but are still short of the historical average of about 6.6 Mt. As a result, EU carry-out stocks are projected to recover robustly, from 4.0 Mt in 2003-04 to 8.9 Mt, compared to the historical average of 9.6 Mt.

Larger surplus supplies of malting barley in the EU, less competition from both Australia and Canada, and stronger import demand are expected to raise EU malting barley exports in 2004-05. Malting barley exports for the EU are forecast to increase from 1.1 Mt in 2003-04 to 1.3 Mt in 2004-05.

Lower exports from Canada

In Canada, about 75/25 per cent of the area seeded to barley is of malting/feed varieties. Newly released malting varieties tend to narrow the gap in yields between the two barley classes. Canada has the lowest selection rate of malting barley at about 16 per cent of the total barley crop, making Canada a consistent supplier of top quality malting barley in the world. The remainder is used for animal feed by the growing livestock industry in western Canada.

Canada and France are the major exporters with significant supplies of both two-row and six-row malting barley. With the development of new two-row varieties and to adapt to the growing demand for two-row barley overseas, the area seeded to two-row varieties in Canada has kept increasing, at the expense of six-row. In the last decade, the market share for two-row varieties has increased from less than 50% to more than 70%. Currently, two-row barley is produced mainly in Alberta and western Saskatchewan and six-row varieties are concentrated in Manitoba and eastern Saskatchewan.

In 2003-04, Canada produced 12.3 Mt of barley. Of the total supplies of 13.8 Mt, about 8.6 Mt, or 60%, were used for domestic feed and 0.9 Mt were exported as feed barley. For the 1.8 Mt selected as malting barley, at a rate of 15%, 1.6 Mt were exported, consisting of 0.9 Mt of malting barley and 0.7 Mt of barley malt (in grain equivalent). The major markets for Canadian malting barley were China and the US, with small volumes to South Africa and South America.

For 2004-05, barley production increased by 7% from 2003-04 to 13.2 Mt, as higher yields more than offset lower seeded area. The total supply of barley increased by 11 percent as a result of higher carry-in stocks. However, unfavourable weather conditions significantly reduced crop quality and the supply of malting barley. Low temperatures delayed planting and impeded the development of the barley crop. This was coupled with early frost which resulted in immature seeds, frost damage, and shrunk/broken kernels. Finally, rain at harvest caused severe fusarium and sprout damage in some areas, making it very hard to meet malting barley standards.

As a result, Canada's malting barley supply is forecast to decrease to 1.7 Mt, consisting of 1.5 Mt of two-row and 0.2 Mt of six-row. About 0.8 Mt is available for export as malting barley destined mainly for China and the US. Of the 0.9 Mt

processed domestically, 30% is expected to be consumed by the Canadian beer industry and 70% exported as barley malt.

Argentina: a Regional Player

Argentina has recently become a significant exporter of malting barley and barley malt, mainly to Brazil and other countries in South America. Barley production in Argentina is estimated at 0.7 Mt for 2004-05, more than three times the output in the 1980's. Exports are forecast to remain at 0.15 Mt for malting barley and 0.3 Mt for barley malt. The vast majority of Argentina's exports, both malting barley and barley malt, are expected to continue to go to Brazil, with the remainder to Chile and Uruguay.

MAJOR IMPORTERS

Higher Chinese Imports

China started importing malting barley in 1980 and has been the world's largest malting barley importer for more than a decade. In 2003, China replaced the US as the world's largest beer producer. The beer industry in China is growing very rapidly and currently requires about 3 Mt of malting barley a year - 1 Mt of which are domestically produced and 2 Mt are imported. China has been the leading market for both Australia and France and the largest market, second to the US, for Canada.

In 2003-04, malting barley imports into China decreased from 1.9 Mt in 2002-03 to 1.4 Mt, due to larger domestic supplies and higher carry-in stocks. Although the official estimate of China's barley production, at 2.7 Mt, is significantly lower than the historical trend and USDA's estimate of 3.4 Mt, domestic supplies of malting barley were estimated at 1.3-1.4 Mt, significantly higher than the historical average of 1.0 Mt. In addition, the outbreak of SARS in the spring 2003 reduced China's beer consumption, leaving higher stocks, mainly imported malting barley, carried over to 2003-04.

For 2004-05, barley production in China is officially estimated to have increased to 3.7 Mt, due mainly to higher area seeded to barley. However, domestic supplies of malting barley are expected to be well below 1 Mt. Drought conditions during vegetation and rain at harvest affected protein content and screenings in northeastern China and the lower Yangtze River valley, leaving northwestern China the only major producing region with a normal selection rate. As a result, prices for domestic

barley have increased from US\$170/t last year to a historical high of US\$210/t.

Based on an average malt usage of 10 Kg/hl, China's total demand for malting barley is forecast at 3.3 Mt in 2004-05, suggesting an import demand of 2.75 Mt. However, as seen in the past, malt usage in China is very price-sensitive and imports are forecast to increase to only 2.0 Mt.

Lower US Imports on Larger Domestic Supply

The US is the second largest beer producer in the world. However, US government support programs have reduced area seeded in traditional malting barley areas. As barley demand for food and processing remained stable at nearly 4.0 Mt, malting barley imports have increased to about 0.5 Mt, while exports declined to 0.2 Mt.

Although the US malting barley market is still dominated by six-row varieties, two-row varieties have gained popularity in recent years. In North Dakota, the leading state in US malting barley production, farmers favour six-row varieties due to the relatively humid growing conditions in the Red River Valley. However, malting barley production and processing capacity have increased in Montana and Idaho where drier growing conditions allow a higher production of two-row varieties and the selection rates are much higher than in North Dakota. Currently, two-row varieties account for 20% of US barley area, while six-row varieties account for 80%.

US malting barley imports have trended lower in the past decade, from an annual average of 0.7 Mt to less than 0.5 Mt, while imports of barley malt, mainly from Canada, increased sharply. However, the US has been the leading market for Canadian malting barley and is expected to continue to be one of the major markets for Canada. For 2004-05, US imports are expected to continue the downward trend, decreasing from about 0.5 Mt in 2003-04 to 0.45 Mt, due to higher US carry-in stocks, large domestic production with good quality, and concerns over exportable supplies from Canada.

Russia has Great Potential

Russia has been the world's second most rapidly expanding beer market after China in recent years and the market is expected to continue to grow, albeit at a rate lower than the current annual average of 20%. The rising consumption is attributed to increased consumer incomes and

changes in government taxation favouring beer over vodka.

Russia requires about 1.2 Mt of malting barley annually. About one third of the requirements are sourced from domestic production. Russia's imports consist of an average of 0.17 Mt of malting barley and 0.73 Mt of barley malt (in grain equivalent). In addition to the growth in beer consumption, the building-up of new domestic malting capacity will boost Russia's malting barley imports significantly, substituting for malt imports.

The EU has been the predominant supplier of both malting barley and malt for Russia. This situation is expected to continue, although the balance is projected to shift rapidly from barley malt to malting barley. However, developments in the Russian market are expected to become more relevant to all market players, including Canada.

PRICES

World Prices

World malting barley prices are heavily dependent on several factors: (a) the quantity and quality of the barley crop available for selection in the major exporting countries, which, in turn, is closely related to weather conditions; (b) world feed barley prices which are affected by US corn prices and barley supplies in the Black Sea region and the EU; (c) policies in the major exporting and importing countries, such as export subsidies in the EU; and (d) demand from the major importers.

For 2004-05, decreased exportable supplies and lower crop quality in Australia and Canada are providing strong support to world malting barley prices. Strong import demand, particularly from China, will also support world prices. However, the strength in malting barley prices is expected to be partially offset by larger supplies from the EU. The weakness in the world coarse grain market is also expected to pressure malting barley prices.

Record US corn production and larger exportable supplies of feed barley from Ukraine and the EU lead to the weakness in world coarse grain prices, although world demand remains strong. World feed barley prices are expected to be further depressed by EU export subsidies. While suspended in 2003-04, EU export refunds for barley were re-introduced in October 2004. For the crop-year to date, the EU has applied subsidies on 0.86 Mt of barley at an equivalent of US\$23.61/t.

As a result, world feed barley prices for 2004-05 are forecast to decrease by 15%, or about US\$20/t, from 2003-04 to US\$110/t at PNW. For malting barley, world prices in US dollar are expected to average US\$150/t at PNW, US\$155/t in Adelaide, Australia, and US\$160/t at Rouen, France

Canadian Returns/Prices

Malting barley prices for Canadian farmers are expected to be pressured further by the strength in the Canadian dollar and higher ocean freight rates.

The Strength in Canadian dollar

The exchange rate for the Canadian dollar is expected to average Cdn\$1.23 per US\$ for 2004-05 versus Cdn\$1.34 and Cdn\$1.50 per US\$ in 2003-04 and 2002-03, respectively. The stronger Canadian dollar alone would cause malting barley prices, in Canadian dollar, to drop by 8% from 2003-04.

A strong Canadian dollar has implications for prices/returns, not only in Canada, but for Canada's competitiveness in the world market. However, the impact is mitigated by the fact that major competitors' currencies also appreciated against the US dollar. For 2003-04, the Euro and Australian dollar strengthened by 2% and 9%, respectively, against the Canadian dollar, meaning that changes in these exchange rates put Canada in a better position to compete. However, the situation has changed for 2004-05 as the Canadian dollar has gained 2% and 4% against the Euro and the Australian dollar, respectively, making Canada less competitive.

Higher Ocean Freight Rates

For 2004-05, freight rates are expected to average US\$40/t from the PNW to China vs. US\$29/t in 2003-04 and US\$27/t in 2002-03. Given the strong demand for and the inelastic supply of dry bulk ocean freight services, freight rates are widely expected by the industry to remain high for at least a few years. Higher freight rates have the effect of depressing export prices and raising import prices, with some of the extra cost ultimately born by Canadian farmers.

However, major competitors have been affected similarly, if not more. Freight rates for 2004-05 from Australia to China are expected to average US\$30/t vs. US\$27/t in 2003-04 and US\$18/t in 2002-03. Therefore, as in the case of exchange rates, high ocean freight rates have a large impact on Canada's export

returns/prices, but a less significant impact on Canada's competitive position in the world malting barley market.

The 2004-05 CWB Return Outlook (PRO) in January 2005, in-store Vancouver/St. Lawrence is \$178/t for Special Select Two-row and \$162/t for Special Select Six-row designated barley. The PROs are about \$20/t lower than 2003-04 PROs this time last year and, if realized, represent one of the lowest total payments to producers in the last few years.

OUTLOOK FOR 2005-06

For 2005-06, world barley production is expected to decrease by about five percent to 145 Mt, as lower production in Europe and North America more than offset higher production in Australia. Crop quality in Canada and Australia is expected to return to more normal levels, raising world malting barley supplies. Import demand is expected to remain strong for China, Russia, Latin America and the US. US corn prices are expected to increase slightly due to lower production. A stronger world feed barley market is expected to support world malting barley prices. However, the Canadian dollar is expected to continue to be strong which could partially offset the gains in higher commodity prices.

LONGER TERM OUTLOOK

For the period of 1996-97 to 2002-03, world consumption of feed barley trended down, from more than 100 Mt to 92 Mt and world trade fluctuated between 9.8 and 13.8 Mt. For the same period, world trade in feed barley increased from 3.8 to 5.0 Mt. Trade in barley malt increased from 4.6 Mt to 5.7 Mt.

For the 2003-04 to 2008-09 period, malting barley trade is forecast by IGC to increase by 1.2 Mt to 6.2 Mt, while world trade of feed barley is expected to increase by only 0.8 Mt to 13.4 Mt and world trade of barley malt to stagnate at 5.5 Mt.

The proportion of feed barley trade is, therefore, expected to decline from about 60% in the early 1990's to 50% by 2008-09. The malting barley and barley malt sector is forecast to gradually expand due to rising beer production in several countries. Within the malting sector, the grain component of trade is set to gain ground on malt, as malting capacity expands for key importers.

The beer industries in the developed economies are generally in the mature stage. Per capita beer consumption has either declined or stagnated in the last

decade, due to increasing awareness of the health risks associated with heavy alcohol use, changes in consumer preference (the rising popularity of red wine and some soft drinks), increased competition from other beverages (flavoured alcoholic drinks), and more restrictive government regulation and taxation.

Declining beer consumption in North America, Western Europe, Australia and Japan, combined with the substitution of rice for barley and the popularity of low-malt beer have constrained the growth in demand for malting barley. However, beer consumption has been increasing in developing countries in Asia and Latin America and in eastern Europe and the CIS, as a result of fast economic development and higher income. Included in the countries with the greatest growth potential are China, Russia, Brazil, Mexico, Argentina, Thailand and Vietnam. These regions are expected to drive up world demand for malting barley in the decades to come.

Chinese Demand

Higher income, urbanization, and a larger proportion of young people are expected to continue to drive up China's beer consumption and, thus, malting barley demand in the decades to come. However, new initiatives in China's barley sector could have significant long-term implications for the world malting barley market and Canada's export potential to China.

In reaction to years of high prices and supply fluctuation in the world malting barley market, China's Ministry of Agriculture has drafted a five year plan to boost China's domestic malting barley production and partially substitute for imports, by identifying and tackling issues in China's domestic malting barley supply chain. If implemented successfully, malting barley imports into China could be reduced significantly and world prices could be pressured downward over the medium-to-long term.

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CANADA: BARLEY SUPPLY AND DISPOSITION

Crop Year (Aug.-Jul.)	Production						Supply	Domestic Consumption			Exports				Carry-out stocks
	Area 000 ha	Yield t/ha	Feed	Malting	Total	Selection %		FWD	Malting	Other	Feed	Malting	Malt	total	
			'000 t								'000 t				
2000-01	4,468	2.96	11,051	2,178	13,229	16	16,106	10,179	350	429	820	1,123	700	2,643	2,516
2001-02	4,150	2.61	8,912	1,934	10,846	18	13,473	9,052	287	466	135	957	678	1,770	1,898
2002-03	3,348	2.24	6,384	1,105	7,489	15	9,796	6,463	312	452	10	304	632	946	1,475
2003-04	4,446	2.77	10,347	1,981	12,328	15	13,838	8,574	289	423	900	874	671	2,445	2,108
2004-05f	4,050	3.26	11,561	1,625	13,186	12	15,344	9,089	275	450	375	825	650	1,850	3,700

- Notes:**
- 1) Exports of malt are in grain equivalent.
 - 2) Feed production = total production minus malting barley selection; including seed, waste & dockage.
 - 3) Production of malting barley equals malting barley exports plus malting exports plus food & industrial use.
 - 4) Other domestic consumption = human food use + seed use + loss in handling
- FWD = Feed, Waste and Dockage

Source: Statistics Canada and AAFC

f. AAFC February 2005 forecast

**WORLD: MALTING BARLEY TRADE
2004-05**

	EU	Canada	Australia	Other 1/	Total
	..... thousand tonnes				
China	400	500	1,100	0	2,000
Other 2/	350	0	50	850	1,250
Latin America 3/	300	0	100	250	650
Asia 4/	250	0	200	100	550
US	100	200	50	0	350
Europe 5/	300	0	0	0	300
Total	1,700	700	1,500	1,200	5,100

1/ includes Argentina, the US, and Eastern European countries.

2/ includes Middle East, South Africa and Oceania

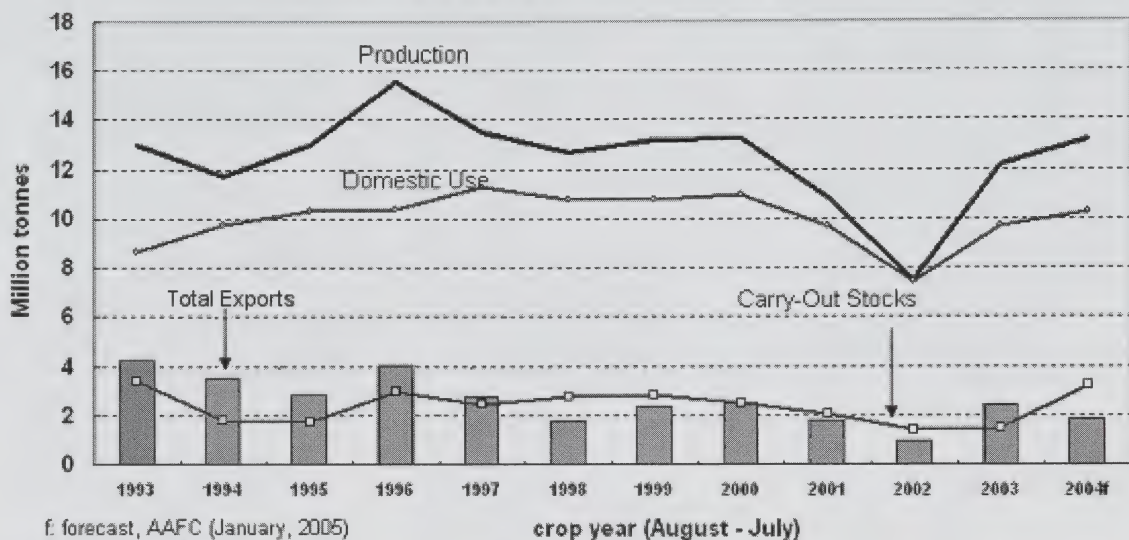
3/ Central America, the Caribbean, and South America.

4/ All of Asia, except China.

5/ All of Europe, except the EU.

Source: USDA, International Grains Council, Statistics Canada, AAFC

CANADA: BARLEY SUPPLY AND DISPOSITION



f. forecast, AAFC (January, 2005)

Source: Statistics Canada

A. SELLING PRICE OF BULK FEED INGREDIENTS AT SELECTED POINTS

February 21, 2005

SELECTED POINT	REFERENCE PERIOD	PRICE BASIS	(1) WHEAT	OATS	BARLEY	CORN	PRICE BASIS	SOYBEAN MEAL	CANOLA MEAL	MILL-FEEDS MEAL	MEAT MEAL	FISH MEAL	ANIMAL FAT	GLUTEN MEAL	GLUTEN FEED	FEED PEAS	DEHY ALFALFA	FEATHER MEAL
Vancouver (4) (7)	February 21, 2005	FOB	125.00	N/A	127.00	141.50		270.00	175.50	102.00		875.00	500.00					335.00
BC	February 14, 2005		125.00	N/A	127.00	142.42		265.00	165.50	103.00		875.00	500.00					335.00
Calgary	February 21, 2005	FOB	104.00	N/A	108.00	139.00		289.50				975.00	535.00					310.00
AB	February 14, 2005			N/A	108.00	140.00		267.00	N/A			975.00	535.00					310.00
Saskatoon	February 21, 2005	FOB	77.50	145.00	85.50	129.00		273.50	N/A			160.00	535.00					360.00
SK	February 14, 2005		81.00	141.00	89.00	134.00		266.50	N/A			160.00	535.00			113.67		340.00
Winnipeg	February 21, 2005	FOB	125.00	140.00	107.50	116.00		252.00	N/A			970.00	515.00					330.00
MB	February 14, 2005		125.00	140.00	107.50	116.00		245.00										
Thunder Bay	February 21, 2005	In-Store	100.00	N/A	106.50													
ON	February 14, 2005		99.50	N/A	107.50													
Lake Ports	February 21, 2005	On Board				97.47												
USA	February 14, 2005	Vessel				96.61												
Bay Ports	February 21, 2005	In-Store	128.00	205.00	138.00													
ON	February 14, 2005		128.00	205.00	138.00													
Chatham	February 21, 2005	Track				105.74												
ON	February 14, 2005					105.22												
Toronto	February 21, 2005	N/A										212.00	N/A	420.00	425.00	114.00		285.00
ON	February 14, 2005											203.67	N/A	420.00	425.00	114.00		300.00
Hamilton	February 21, 2005	N/A						263.67	#N/A									
ON	February 14, 2005							250.33	#N/A									
Eastern	February 21, 2005	FOB				105.50												
ON	February 14, 2005					101.85												
London	February 21, 2005	FOB												425.00	114.00			
ON	February 14, 2005													425.00	114.00			
Port Colborne	February 21, 2005	FOB								57.00				425.00	114.00			
ON	February 14, 2005									53.00				425.00	114.00			
Cardinal	February 21, 2005	FOB												425.00	114.00			
ON	February 14, 2005													425.00	114.00			
Montreal	February 21, 2005		132.00	150.00	143.00	125.00		268.50	200.10	59.33	200.00	850.00	397.00				270.00	290.00
QC	February 14, 2005		134.00	150.00	144.00	125.00	FOB	258.63	185.50	63.33	200.00	850.00	397.00	425.00	114.00			290.00
Trois-Rivières	February 21, 2005	In-Store	132.60		137.00	127.95												
QC	February 14, 2005		132.60		142.00	128.04												
St. Jean QC (2)	February 21, 2005	FOB	145.61	121.93	143.00	115.60		259.61										
St. Hyacinthe QC	February 14, 2005		145.99	118.69	143.25	114.75		251.57										
Quebec	February 21, 2005	In-Store	130.87	N/A	157.97	125.00		261.46										
QC	February 14, 2005		135.87	N/A	158.34	120.08		252.31										
Turo	February 21, 2005	Track	159.50		162.34	165.22		291.05	213.67									290.00
NS	February 14, 2005		158.56		161.49	164.20	FOB	288.88	201.10									290.00
Turo	February 21, 2005	Water	N/A	N/A	N/A	N/A												
NS	February 14, 2005	& Truck	N/A	N/A	N/A	N/A												
Halifax	February 21, 2005	In-Store	N/A	N/A	N/A	160.40		328.00										
NS	February 14, 2005		N/A	N/A	N/A	162.40		320.00		297.50		1,100.00	N/A					

Source: Market Analysis Division, Agriculture and Agri-Food Canada: Thunder Bay prices are based on the Winnipeg Commodity Exchange (WCE) market close US\$1.00=CAN\$1.2299, closing date February 18, 2005
 Contact: Valerie Charlier A/Statistical Clerk Telephone: (204) 983-0581 Fax: (204) 983-5524 Email: charlier@agr.gc.ca N/A = not available

Footnotes: All prices in Canadian dollars per metric tonne based on survey respondents.

Grain grades (unless otherwise specified) are: Western or Eastern Feed Wheat, Feed Oats, No. 1 Canada Western or Eastern Barley, No. 2 Canada Yellow Corn, No. 3 US Yellow Corn, Soybean Meal 48 % Protein, Canola Meal based on minimum standard of 35% Protein, Fish Meal: white fish and/or herring meal, Gluten Meal 60% Protein, Gluten Feed 21% Protein.

(1) Wheat 3C/WRS (2) Canadian Corn #5 or #2 (3) US Corn (4) Fish Meal from West Coast 63% Protein (5) Fish Meal 60% Protein (6) Herring Fish Meal (7) Fraser Valley (8) Wheat & Barley (Basis - Cash Price WCE) (9) Oats 3C/W

B. CASH PRICES AND REPLACEMENT VALUES

February 21, 2005

PRAIRIE GRAINS

Selected Points		Price Basis		This week 21-Feb-05	Last week 7-Feb-05	Month ago 24-Jan-05	Year ago 23-Feb-04
From: Thunder Bay(WCE) (2)		In-Store	Wheat	98.00	97.00	103.00	160.00
			Oat	159.50	161.75	170.00	149.75
	(CBOT)		Barley	109.00	108.00	112.00	126.00
	(Lethbridge)		Wheat	121.61	120.61	126.61	183.61
To: Bayport, ON (1)		In-store	Oat	N/A	N/A	N/A	N/A
			Barley	136.39	135.39	139.39	153.39
			Wheat	126.03	125.03	131.03	188.03
			Oat	N/A	N/A	N/A	N/A
			Barley	141.31	140.31	144.31	158.31
Montreal, QC (1)		In-store	Wheat	148.25	147.25	153.25	210.25
			Oat	N/A	N/A	N/A	N/A
			Barley	165.50	164.50	168.50	182.50
Moncton, NB		Truck via Halifax	Wheat	142.22	141.22	147.22	204.22
			Oat	N/A	N/A	N/A	N/A
			Barley	163.00	162.00	166.00	180.00
Truro, NS		Truck via Halifax	Wheat	133.28	132.28	138.28	195.28
			Oat	N/A	N/A	N/A	N/A
			Barley	149.30	148.30	152.30	166.30
Halifax, NS (1)		In-store	Wheat	196.63	195.63	201.63	258.63
			Oat	N/A	N/A	N/A	N/A
			Barley	N/A	N/A	N/A	N/A
Stephenville, NL		Track / Truck via Sydney	Wheat	N/A	N/A	N/A	N/A
			Oat	N/A	N/A	N/A	N/A
			Barley	N/A	N/A	N/A	N/A
Melfort, SK			Wheat	N/A	N/A	N/A	N/A
			Oat	N/A	N/A	N/A	N/A
		Track	Barley	N/A	N/A	N/A	N/A
Bayport, ON			Wheat	N/A	N/A	N/A	N/A
			Oat	N/A	N/A	N/A	N/A
		Track	Barley	N/A	N/A	N/A	N/A
Montreal, QC			Wheat	N/A	N/A	N/A	N/A
			Oat	N/A	N/A	N/A	N/A
		Track	Barley	N/A	N/A	N/A	N/A
Moncton, NB			Wheat	N/A	N/A	N/A	N/A
			Oat	N/A	N/A	N/A	N/A
		Track	Barley	N/A	N/A	N/A	N/A
Truro, NS			Wheat	N/A	N/A	N/A	N/A
			Oat	N/A	N/A	N/A	N/A
		Track / Truck via Sydney	Barley	N/A	N/A	N/A	N/A
Stephenville, NL			Wheat	N/A	N/A	N/A	N/A
			Oat	N/A	N/A	N/A	N/A
			Barley	N/A	N/A	N/A	N/A
Selected Points		Price Basis		This week 21-Feb-05	Last week 7-Feb-05	Last week 24-Jan-05	Year ago 23-Feb-04
Corn							
From: US Lake Port		On Board Vessel		96.84	96.84	94.23	152.78
To: Montreal, QC (1)		In-store		115.88	115.88	113.27	171.82
From: Chicago (IL)		Track		101.20	101.20	99.04	155.95
To: Montreal, QC		Track		130.06	130.06	127.90	184.81
From: Chatham, ON		Track		105.74	105.74	102.13	153.14
To: Montreal, QC		Track		129.61	129.61	126.00	177.01
Soymeal 48% Protein							
From: Hamilton, ON				263.67	263.67	243.39	375.20
To: Montreal, QC		Track		288.00	288.00	267.72	399.53
Moncton, NB		Track		306.75	306.75	286.47	418.28
Truro, NS		Track		309.97	309.97	289.69	421.50
Stephenville, NL		Track / Truck via Sydney		358.60	358.60	338.32	470.13

1. Prices include ONE month of storage and interest charges n/a = not available
 2. Thunder Bay prices are based on the Winnipeg Commodities Exchange market close (Cash price)

Source: Market Analysis Division, Agriculture and Agri-Food Canada

Contact: Valérie Chartier: A/Statistical Clerk (204) 983-0581 Fax: (204) 983-5524 e-mail: chartierv@agr.gc.ca

Footnotes: All prices quoted in Canadian dollars per metric tonne.

Grain grades (unless otherwise specified) are: Canada Western Feed Wheat, Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn.

Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec.

Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable

A. SELLING PRICE OF BULK FEED INGREDIENTS AT SELECTED POINTS

February 7, 2005

SELECTED POINT	REFERENCE PERIOD	PRICE BASIS	(1) WHEAT	OATS	BARLEY	CORN	PRICE BASIS	SOYBEAN MEAL	CANOLA MEAL	MILL-FEEDS	MEAT MEAL	FISH MEAL	ANIMAL FAT	GLUTEN MEAL	GLUTEN FEED	FEED PEAS	DEHY ALTA/LFA	FEATHER MEAL
Vancouver	February 7, 2005	FOB	125.00	N/A	127.00	143.50		260.00	143.00	115.00		875.00	500.00					330.00
BC (4) (7)	January 31, 2005	FOB	125.00	N/A	127.00	142.50		264.50	190.50	115.00		875.00	500.00					330.00
Calgary	February 7, 2005	FOB	104.00	N/A	108.00	138.00		262.50			145.00	875.00	535.00					310.00
AB (4)	January 31, 2005	FOB	104.00	N/A	108.00	140.00		263.50			155.00	975.00	535.00					310.00
Saskatoon	February 7, 2005	FOB	83.00	141.00	93.00	130.00		250.50	N/A	160.00	160.00	N/A	535.00					360.00
SK (4)	January 31, 2005	FOB	83.50	146.00	93.00	130.00		252.00	N/A	170.00	170.00	N/A	535.00					360.00
Winnipeg	February 7, 2005	FOB	125.00	140.00	107.50	116.00		245.00	N/A		290.00	970.00	515.00					330.00
MB (4) (9)	January 31, 2005	FOB	126.00	140.00	110.00	115.00		246.50	N/A		290.00	970.00	515.00					340.00
Thunder Bay	February 7, 2005	In-Store	98.50	N/A	106.20													
ON (8)	January 31, 2005		100.50	N/A	107.45													
Lake Ports	February 7, 2005	On Board				95.94												
USA (3)	January 31, 2005	Vessel				95.23												
Bay Ports	February 7, 2005	In-Store	134.00	205.00	138.00													
ON	January 31, 2005		135.00	205.00	140.00													
Chatham	February 7, 2005	Track				103.24												
ON	January 31, 2005					102.97												
Toronto	February 7, 2005	N/A					FOB				190.00	N/A	420.00	425.00	114.00		265.00	300.00
ON (5)	January 31, 2005							242.29	#N/A		190.00	N/A	420.00	425.00	114.00		265.00	300.00
Hamilton	February 7, 2005	N/A						243.72	#N/A									
ON	January 31, 2005																	
Eastern	February 7, 2005	FOB				104.50												
ON	January 31, 2005					106.50												
London	February 7, 2005	FOB																
ON	January 31, 2005																	
Port Colborne	February 7, 2005	FOB																
ON	January 31, 2005									51.50				425.00	114.00			
Cardinal	February 7, 2005	FOB								51.00				425.00	114.00			
ON	January 31, 2005													425.00	114.00			
Montreal	February 7, 2005		133.00	150.00	142.00	125.50		252.40	178.88	67.67	190.00	850.00	408.00	425.00	114.00		270.00	300.00
QC (5)	January 31, 2005		135.00	150.00	145.50	125.00	FOB	256.39	183.79	66.67	190.00	850.00	424.00	425.00	114.00		270.00	300.00
Trois-Rivières	February 7, 2005	In-Store	133.90		139.40	129.13												
QC	January 31, 2005		130.00		141.90	129.42												
St. Jean QC (2)	February 7, 2005	FOB	145.02	122.44	143.27	115.22		247.57										
St. Hyacinthe QC	January 31, 2005		145.57	124.48	146.10	115.75		248.62										
Quebec	February 7, 2005	In-Store	131.63	N/A	155.42	117.75		243.65										
Truro	January 31, 2005	Track	133.00	N/A	161.26	118.88		249.76										
Truro	February 7, 2005		156.86		161.49	163.83		286.63			245.55		505.00					300.00
Truro	January 31, 2005		157.53		161.49	163.90	FOB	289.48	201.10									300.00
NS	February 7, 2005	Water	N/A	N/A	N/A	N/A												
NS	January 31, 2005	& Truck	N/A	N/A	N/A	N/A												
Halifax	February 7, 2005	In-Store	N/A	N/A	N/A	N/A		324.25			297.50							
NS	January 31, 2005		N/A	N/A	N/A	159.00		325.60			297.50							
(6)	January 31, 2005					159.00					297.50							

Source: Market Analysis Division, Agriculture and Agri-Food Canada; Thunder Bay prices are based on the Winnipeg Commodity Exchange (WCE) market close US\$1.00=CAN\$1.2498, closing date February 4, 2005
 Contact: Valérie Charrier A/Statistical Clerk Telephone: (204) 983-0581 Fax: (204) 983-5524 Email: charrier.v@ag.gc.ca N/A = not available

Footnotes: All prices in Canadian dollars per metric tonne based on survey respondents.

Grain grades (unless otherwise specified) are: Western or Eastern Feed Wheat, Feed Oats, No. 1 Canada Western or Eastern Barley, No. 2 Canada Yellow Corn, No. 3 US Yellow Corn, Soybean Meal 48 % Protein. Canola Meal based on minimum standard of 35% Protein. Fish Meal: white fish and/or herring meal. Gluten Meal 60% Protein. Gluten Feed 21% Protein.

(1) Wheat 3CWRS (2) Canadian Corn #5 or #2 (3) US Corn (4) Fish Meal from West Coast 62% Protein (5) Fish Meal 60% Protein (6) Herring Fish Meal (7) Fraser Valley (8) Wheat & Barley (Basis - Cash Price WCE) (9) Oats 3C/W

B. CASH PRICES AND REPLACEMENT VALUES

February 7, 2005

PRAIRIE GRAINS

Selected Points	Price Basis		This week 7-Feb-05	Last week 24-Jan-05	Month ago 10-Jan-05	Year ago 9-Feb-04
From: Thunder Bay(WCE) (2)	In-Store	Wheat	97.00	103.00	103.00	160.00
(CBOT)		Oat	161.75	170.00	159.40	151.25
(Lethbridge)		Barley	108.00	112.00	113.00	127.00
To: Bayport, ON (1)	In-store	Wheat	120.61	126.61	126.61	183.61
		Oat	N/A	N/A	N/A	N/A
		Barley	135.39	139.39	140.39	154.39
Montreal, QC (1)	In-store	Wheat	125.03	131.03	131.03	188.03
		Oat	N/A	N/A	N/A	N/A
		Barley	140.31	144.31	145.31	159.31
Moncton, NB	Truck via Halifax	Wheat	147.25	153.25	153.25	210.25
		Oat	N/A	N/A	N/A	N/A
		Barley	164.50	168.50	169.50	183.50
Truro, NS	Truck via Halifax	Wheat	141.22	147.22	147.22	204.22
		Oat	N/A	N/A	N/A	N/A
		Barley	162.00	166.00	167.00	181.00
Halifax, NS (1)	In-store	Wheat	132.28	138.28	138.28	195.28
		Oat	N/A	N/A	N/A	N/A
		Barley	148.30	152.30	153.30	167.30
Stephenville, NL	Track / Truck via Sydney	Wheat	195.63	201.63	201.63	258.63
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A
Melfort, SK		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Bayport, ON		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Montreal, QC		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Moncton, NB		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Truro, NS		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track / Truck via Sydney	Barley	N/A	N/A	N/A	N/A
Stephenville, NL		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A

Selected Points	Price Basis		This week 7-Feb-05	Last week 24-Jan-05	Last week 10-Jan-05	Year ago 9-Feb-04
Corn						
From: US Lake Port	On Board Vessel		95.94	94.23	98.99	147.55
To: Montreal, QC (1)	In-store		114.98	113.27	118.03	166.59
From: Chicago (IL)	Track		99.88	99.04	104.82	147.55
To: Montreal, QC	Track		128.74	127.90	133.68	176.41
From: Chatham, ON	Track		103.24	102.13	105.49	153.01
To: Montreal, QC	Track		127.11	126.00	129.36	176.88

Soymeal 48% Protein						
From: Hamilton, ON			242.29	243.39	251.10	351.80
To: Montreal, QC	Track		266.62	267.72	275.43	376.13
Moncton, NB	Track		285.37	286.47	294.18	394.88
Truro, NS	Track		288.59	289.69	297.40	398.10
Stephenville, NL	Track / Truck via Sydney		337.22	338.32	346.03	446.73

- Prices include ONE month of storage and interest charges
- Thunder Bay prices are based on the Winnipeg Commodities Exchange market close (Cash price)

Source: Market Analysis Division, Agriculture and Agri-Food Canada

Contact: Valérie Chartier: A/Statistical Clerk (204) 983-0581 Fax: (204) 983-5524 e-mail: chartierv@agr.gc.ca

Footnotes: All prices quoted in Canadian dollars per metric tonne.

Grain grades (unless otherwise specified) are: Canada Western Feed Wheat, Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn.

Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec.

Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable



Bi-weekly Bulletin

March 4, 2005 Volume 18 Number 5

SAUDI ARABIA

Saudi Arabia is the world's largest importer of feed barley and during crop year 2003-04 it imported 560 thousand tonnes or about 90 million dollars worth of feed barley from Canada. However, for 2004-05, Canada is not expected to export any barley to Saudi Arabia due to stronger returns in the Canadian domestic barley market than in the overseas export market. Exports of pulse and special crops have become relatively more important in 2004-05. This situation is expected to persist during 2005-06 as well. This issue of the *Bi-weekly Bulletin* examines the situation and outlook for Canadian exports of agricultural commodities to Saudi Arabia.

Saudi Arabia holds the world's largest reserves of crude oil and it has one of the world's largest reserves of natural gas. Since the 1970s, the Saudi Arabian government has used oil revenues to finance the development of its agricultural capacity, albeit at an extremely high cost due to the limited amount of land suitable for agricultural production. To increase its agricultural capacity, about 16,200 square kilometers of land has been placed under irrigation. Although less than 2% of Saudi Arabia's land mass is arable, Saudi Arabia has been able to maintain a reasonable level of self-sufficiency for commodities such as wheat and sorghum.

In addition to frequent sand and dust storms, the country faces problems of desertification, depletion of its underground water resources, and coastal pollution from oil spills. The development of extensive seawater desalination facilities has been necessary to compensate for the lack of perennial rivers or permanent bodies of fresh water.

Economy

Saudi Arabia has an oil-based economy with strong government controls over major economic activities. The petroleum sector accounts for about 75% of budget revenues, 45% of Gross Domestic Product, and 90% of export earnings. Since 1999, the Saudi Arabian government has been privatizing its electricity and communications

facilities, and encouraging private sector growth to lessen the country's dependence on oil revenues and to increase employment opportunities for its burgeoning population. Economic reforms are however tempered by deep-rooted political and social conservatism.

Size and Structure of the Agricultural Market

The total value of the agricultural sector is estimated at about US\$28 billion (bln). The sector provides employment for about 5.5% of the labor force. The business structure of farming operations in Saudi Arabia ranges from huge farming operations such as National Agricultural Development Company with 42,000 hectares, to smaller operations between 50 to 500 hectares. The major players are joint-stock agricultural development companies but there are also some large privately owned farms. A joint-stock company is owned by five or more individuals or entities, and the shareholders are liable only to the extent of the value of their holdings.

Agricultural Trade

Saudi Arabia is a net importer of grains, most of which is feed barley for its burgeoning livestock sector. The EU supplies about one-third of the grains imported by Saudi Arabia, or about half of its barley requirements. Imports of Saudi Arabian grains from the U.S. and Canada are 10% and 4%, respectively.

Most grains enter Saudi Arabia duty free, except for pulses and sorghum which are subject to a 5% tariff. Wheat importers require an import license from the Grain Silos and Flour Mills Organization, which is responsible for the Saudi Arabian government's grain policy.

Trade with Canada

Saudi Arabia is an important market for Canadian agricultural commodities. During the past decade, Canada's agricultural exports to Saudi Arabia have averaged Cdn\$76.6 million (mln) per year. In return, Canada has imported about Cdn\$1.7 mln worth of agricultural commodities from Saudi Arabia, consisting primarily of the following: fruit and nuts; preparations of grains and pasta; and beverages and vinegar.

In terms of volume, feed barley is by far the most important Canadian export to Saudi Arabia, averaging 0.3 Mt annually during the past decade. However, those exports have fluctuated considerably during this period, ranging from nil during the two years of drought in Canada, to a record 1.1 Mt in 1996-97 when Canada produced a record 15.6 Mt of barley.

Exports of pulse and special crops to Saudi Arabia have increased significantly during the past decade, averaging 7,081.2 tonnes (t) during this period, and peaking at 10,520 t in 2003-04.

In addition to direct exports, Canadian pulse and special crops are also transhipped to Saudi Arabia through neighbouring countries.

Domestic Price Supports

Self-sufficiency in agricultural production has been a goal of the Saudi Arabian government since the 1970s, and this has been achieved to some extent by heavily subsidizing wheat and barley production. As a result of the subsidies, wheat and barley production increased dramatically during the 1980s and 1990s to the point that Saudi Arabia became a net wheat exporter.

Self-sufficiency in agricultural production comes with a price for Saudi Arabia. Concerns about the depletion of limited water reserves prompted the government to begin a series of price support reductions in the early 1980's, particularly for wheat. The subsidy provided to wheat producers has been reduced from a high of US\$933.33 per metric tonne (/Mt) in 1981, to US\$266.67/Mt in 2004.

As well, since 1993, the Saudi Arabian government has imposed quotas on wheat production and has targeted production to meet domestic consumption, which averages 2.0 Mt annually. The Saudi Arabian government also issued a decree in September 2003 that effectively eliminated the local barley production subsidy. At this point, price supports are now limited to wheat.

Trade Agreements

Saudi Arabia is a member of the Gulf Co-operation Council (GCC), along with Kuwait, Qatar, Bahrain, the United Arab Emirates, and Oman. Members of the GCC enjoy special trade and investment privileges, including the benefits of a customs union. Under this 2003 agreement, the six member countries charge a 5% duty on most foodstuffs imported from non-GCC suppliers. The exceptions are staple foods such as rice, fresh meat, and feed grains, which are exempt from duties.

Saudi Arabia is also a member of the Arab League (AL), which agreed in

principle to the elimination of most agricultural tariffs by the year 2007. Currently it is not clear how much progress there has been to eliminate tariffs between member countries.

In any case, the current GCC and AL agreements are not expected to have much of an effect on the grain imports by Saudi Arabia simply because member countries do not produce sufficient amounts of grain for export.

Other Trade Considerations

In August 2000, the Saudi Arabian Commerce Minister issued a directive on the import of genetically modified (GM) foodstuffs, effective February 1, 2001. The directive instructed Saudi Arabian merchants and importers to label their products in a way that they could certify them as being free of GM ingredients. Some exporters of foodstuffs to Saudi Arabia expressed concern that they have not been provided sufficient details with respect to the labeling requirements under the directive. In response, the Saudi Arabian government recently provided the Canadian government with a copy of their royal decree for GM labelling. In addition, the Saudi Arabian government hosted in February 2005 a biotech workshop to discuss mandatory GM labelling with Canada, U.S., the EU and other interested nations.

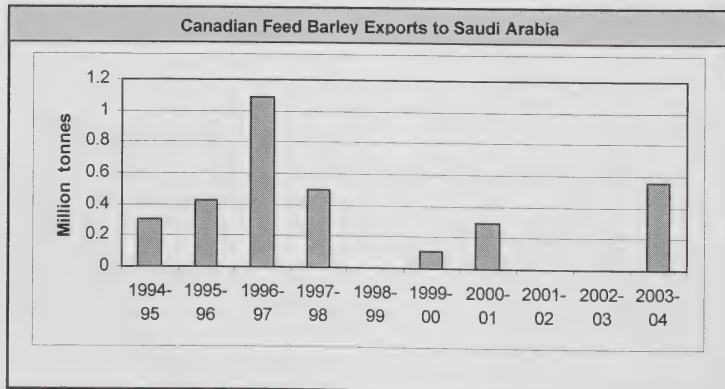
Saudi Arabia is engaged in an ongoing effort to join the World Trade Organization (WTO). Joining the WTO would increase access to world markets for Saudi Arabian oil and its petrochemical exports. In turn,

members of the WTO would enjoy increased access to this important market. Saudi Arabia is seeking to join the WTO as a developing country, but only for the agricultural sector, which generally provides a grace period of 5 to ten years to adapt trading practices to the new trade regime by reducing tariffs and domestic support.

Water Consumption

The Saudi Arabian government recognizes the importance of conserving its limited water resources. To that end, the government has introduced several measures aimed at cutting down household water consumption by up to 50%. The measures include providing conservation kits for households and reviewing price tariffs on water supplies, which are either pumped from deep underground reservoirs or processed at costly desalination plants. Under current tariffs, water is pumped into homes at the cost of about one riyal (US\$0.27) per 10 cubic meters, and the average monthly water bill for most households is less than 5 riyals. At these prices, there is little incentive for most households to cut down water use.

Household water consumption, compared to water used to irrigate farmland, is a relatively small component of total water use in Saudi Arabia. Water for irrigating farmland is drawn almost exclusively from underground reserves, and the farms consume about 20 billion cubic meters, or 90%, of the country's annual water supply. With the wasteful practice of growing crops in this manner coming



under fire, the Saudi Arabian government and the World Bank are preparing a national water plan to be completed within a year or two. The agriculture ministry is also studying water use on farms as a means of cutting down on excessive water consumption.

SITUATION 2004-05

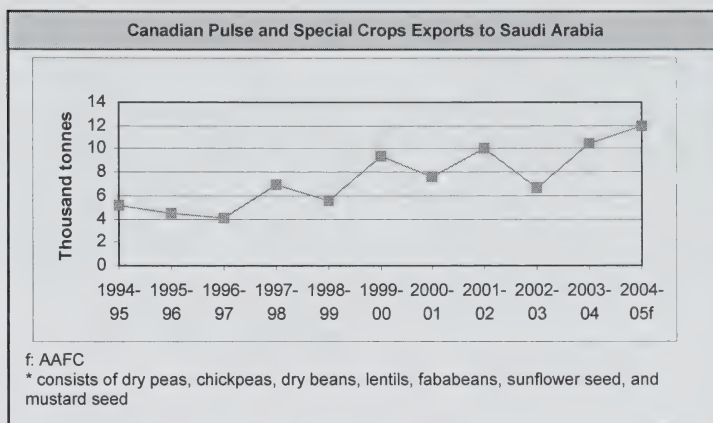
Saudi Arabia is the largest market in the Middle East, importing over US\$5 billion of food and beverages annually and offering suppliers of bulk commodities, and food processing and packaging equipment some excellent business opportunities. Saudi Arabia has long relied on imports of food products largely because irrigated lands near oases are virtually the only areas suitable for crop cultivation.

Despite the climatic disadvantages, the agricultural crop sector of Saudi Arabia has experienced steady growth since the 1970s, with much of the growth attributed to higher yields as Saudi Arabian farmers embraced new technologies and employed new and better inputs to production. In recent years, wheat for production has been on the decline, but production of other crops and livestock continues to flourish. Food processing, although still at a relatively modest level, is in an expansionary phase and is expected to increase significantly to meet growing demand for Western style food products.

Wheat

Saudi Arabia imported a record 1.3 Mt of wheat in 1979 but, since then, has systematically decreased its reliance on imported wheat by developing highly subsidized domestic supplies. In 1992, Saudi Arabia produced a record 4.1 Mt of wheat.

For 2004-05, wheat production is estimated at 1.6 Mt, down from 2.0 Mt in 2003-04. The decrease is due largely to lower domestic price supports for wheat as Saudi Arabia struggles to reduce its consumption of limited water supplies. As a result of lower domestic production and slightly higher consumption, imports are estimated at 0.4 Mt, which is the



highest level since 1982 when 0.7 Mt of wheat were imported.

The last significant wheat exports from Canada to Saudi Arabia were in 1982-83, when 26,250 tonnes were shipped. The previous export was in 1974-75, with 0.29 Mt shipped.

Barley

Barley production in Saudi Arabia has steadily decreased since peaking at 2.0 Mt in 1994-95 and is expected to be nil for 2004-05. It is the single largest barley importing country in the world. The 10-year average is 5.5 Mt and in 1986-87 it imported a record 9.0 Mt of barley.

For 2004-05, barley imports are forecast to decrease to 6.5 Mt from 5.7 Mt in 2003-04. The demand for feed barley fluctuates from year-to-year, depending on pasture conditions. The majority of the barley is fed to camels and secondarily to sheep and goats.

In recent years, Russia and the Ukraine have been the major suppliers. Australia is also a major player since it has a competitive advantage in this market due to low freight costs. The EU continues to be a major player in this market but its market share has been decreasing over time.

Canadian exports of feed barley to Saudi Arabia trended upwards during the 1990s, peaking in 1996-97, but have since decreased due largely to limited supplies of feed barley available for export. Canada's

livestock sector continues to provide higher returns to barley producers than the export market.

Livestock

Total livestock numbers in Saudi Arabia have decreased about 10% in the past five years due largely to a decrease in the number of sheep, which account for over 70% of the total Saudi Arabian livestock figure. For calendar year 2004, there were about 7.0 million (mln) sheep in Saudi Arabia, and 5.8 mln sheep are expected to be slaughtered. Of the 2.2 mln goats in Saudi Arabia, about 1.6 mln were expected to be slaughtered. Cattle are a relatively small component of the Saudi Arabian livestock sector, with only 115 thousand animals slaughtered annually.

Barley Supply and Disposition				
	- thousand tonnes -			
June/May Crop year	2002-03	2003-04	2004-05e	2005-06f
Beginning stocks	1,257	2,611	2,301	2,591
Production	100	0	0	0
Imports	7,064	5,700	6,500	6,000
Supply	8,421	8,311	8,801	8,591
Human Consumption	10	10	10	10
Feed Use	5,800	6,000	6,200	6,300
Total Use	5,810	6,010	6,210	6,310
Carry out Stocks	2,611	2,301	2,591	2,281

e: USDA – PS&D
f: AAFC

Pulse and Special Crops

Canadian exports of pulse and special crops, although relatively small, trended upward for several years during the late 1990's peaking at about 11 thousand tonnes in 2003-04.

Exports of Canadian pulse and special crops, in general, decreased in 2002-03 due to drought conditions in western Canada that affected exportable supplies.

For 2004-05, Canadian exports of pulse and special crops are forecast as follows: lentils, 5,000t; dry peas, 5,000t. Smaller volumes of chickpeas, fababeans, mustard seed and canary seed are expected to be exported to Saudi Arabia. Total exports of pulse and special crops are forecast to increase to about 12,000t mostly due to higher exports of lentils.

OUTLOOK 2005-06

Saudi Arabia's economic and political prospects are closely tied to the price of crude oil and the threat of terrorism. Those factors are expected to play an important role for Saudi Arabia. As well, the problems of increasing public debt and unemployment are expected to contribute to the country's social unrest. The end result is that Saudi Arabia's imports of agricultural and agri-food products will be affected to some extent, but there is still a need to

feed a growing population, whether that be with commodities produced domestically or those imported from countries with exportable surpluses.

More than half of the population of Saudi Arabia is under the age of 20, and the country's population is increasing at an annual rate of 3.5%. The robust population growth, coupled with insufficient arable land and limited water supplies, means that Saudi Arabia is dependent on imports of food and drink, particularly fresh and processed food products. This demand for higher value food products has given impetus to the speedy development of the Saudi Arabian food processing capacity in order to meet increasing consumer needs.

Wheat

For 2005-06, wheat production in Saudi Arabia is forecast at 1.6 Mt, unchanged from 2004-05. Imports are forecast at 0.7 Mt, and consumption is expected to increase slightly to 2.2 Mt. Ending stocks for 2005-06 are forecast at 1.2 Mt, up slightly from 2004-05 and more in line with the 10-year average.

Barley

For 2005-06, barley production in Saudi Arabia is forecast to remain nil and imports are expected to decline slightly, to 0.6 Mt, due to a larger than normal carry-in from 2004-05. Ending stocks are forecast at 2.3 Mt, down from 2.6 Mt in 2004-05, but significantly higher than the 10-year average of 1.9 Mt. Imports from Canada are expected to be minimal due to the strong domestic market for feed barley in Canada.

Pulse and Special Crops

For 2005-06, Canadian exports to Saudi Arabia are expected to increase slightly for lentils and dry peas.

Livestock

The total livestock number is expected to remain virtually unchanged at 9.9 mln for calendar year 2005. Specifically, the sheep count is expected to remain at 7.0 mln and the goat count at 2.2 mln. The total number of animals slaughtered for calendar year 2005 is forecast at 7.6 mln head, unchanged from 2004.

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Wheat Supply and Disposition

	- thousand tonnes -			
June/May Crop Year	2002- 03	2003- 04	2004- 05e	2005- 06f
Beginning stocks	1,271	1,332	1,258	1,108
Production	2,000	2,000	1,600	1,550
Imports	161	26	400	550
Supply	3,432	3,358	3,258	3,208
Human Consumption	2,050	2,050	2,100	2,100
Feed Use	50	50	50	50
Total Use	2,100	2,100	2,150	2,150
Carry out Stocks	1,332	1,258	1,108	1,058

e: USDA – PS&D

f: AAFC

A. SELLING PRICE OF BULK FEED INGREDIENTS AT SELECTED POINTS

March 7, 2005

SELECTED POINT	REFERENCE PERIOD	PRICE BASIS	(1) WHEAT	OATS	BARLEY	CORN	PRICE BASIS	SOYBEAN MEAL	CANOLA MEAL	MILL FEEDS	MEAT MEAL	FISH MEAL	ANIMAL FAT	GLUTEN MEAL	GLUTEN FEED	FEED PEAS	DEHY ALFALFA	FEATHER MEAL
Vancouver	March 7, 2005	FOB	125.00	N/A	130.00	146.00		283.50	181.00	102.00		875.00	520.00					335.00
BC (4) (7)	February 28, 2005	FOB	105.00	N/A	110.00	138.00		293.50	187.00	100.00	150.00	975.00	555.00					335.00
Calgary	March 7, 2005	FOB	105.00	N/A	110.00	145.00		282.00			145.00	975.00	545.00					310.00
AB (4)	February 28, 2005	FOB	82.50	140.00	88.00	135.00		286.50	N/A		165.00	N/A	555.00					360.00
Saskatoon	March 7, 2005	FOB	77.50	145.00	85.50	135.00		286.00	N/A		160.00	N/A	545.00			117.00		360.00
SK (4)	February 28, 2005	FOB	126.50	140.00	108.50	120.00		265.00	N/A		290.00	982.50	515.00			115.33		340.00
Winnipeg	March 7, 2005	FOB	125.00	140.00	107.00	120.00		264.50	N/A		290.00	982.50	515.00					340.00
MB (4) (9)	February 28, 2005	In-Store	100.50	N/A	111.20													
Thunder Bay	March 7, 2005	ON	100.25	N/A	107.00													
(8)	February 28, 2005	On Board				102.39												
Lake Ports	March 7, 2005	Vessel				109.17												
USA (3)	February 28, 2005	In-Store	130.00	205.00	138.00													
Bay Ports	March 7, 2005	ON	130.00	205.00	138.00	110.28												
Chatham	March 7, 2005	Track				108.16												
ON	February 28, 2005																	
Toronto	March 7, 2005	N/A																
(5)	February 28, 2005	N/A																
Hamilton	March 7, 2005	N/A						272.27	#N/A									
ON	February 28, 2005	FOB						271.83	#N/A									
Eastern	March 7, 2005	FOB				110.50												
ON	February 28, 2005	FOB				111.00												
London	March 7, 2005	FOB																
ON	February 28, 2005	FOB																
Port Colborne	March 7, 2005	FOB																
ON	February 28, 2005	FOB																
Cardinal	March 7, 2005	FOB																
ON	February 28, 2005	FOB																
Montreal	March 7, 2005		136.00	150.00	149.00	124.00		283.81	205.40	62.33	210.00	850.00	375.00	425.00	114.00		270.00	290.00
QC (5)	February 28, 2005		133.00	150.00	145.00	123.00	FOB	275.84	214.10	61.67	210.00	850.00	386.00	425.00	114.00		270.00	290.00
Trois-Rivières	March 7, 2005	In-Store	129.10		150.00	134.44												
QC	February 28, 2005	FOB	147.13	124.41	144.27	116.23		277.57										
St. Jean QC (2)	March 7, 2005	In-Store	142.04	121.92	142.63	116.87		280.00	237.98									
Quebec	February 28, 2005	Track	131.37	N/A	159.47	133.43		271.69	238.90									
QC	March 7, 2005	Track	159.50		162.34	167.74		318.30	213.67									
Truro	February 28, 2005	Water	159.50		162.34	166.05	FOB	297.20	213.67									
NS	March 7, 2005	N/A	N/A	N/A	N/A	N/A												
Truro	February 28, 2005	N/A	N/A	N/A	N/A	N/A												
NS	March 7, 2005	In-Store	N/A	N/A	N/A	159.00		346.00										
Halifax	February 28, 2005	N/A	N/A	N/A	N/A	159.00		352.50										
NS (6)	February 28, 2005	N/A	N/A	N/A	N/A	159.00		352.50										

Source: Market Analysis Division, Agriculture and Agri-Food Canada; Thunder Bay prices are based on the Winnipeg Commodity Exchange (WCE) market close US\$1.00=CANS12326, closing date March 4, 2005
 Contact: Valerie Charrier A/Statistical Clerk Telephone: (204) 983-0581 Fax: (204) 983-5524 Email: charrier@agr.gc.ca N/A = not available

Footnotes: All prices in Canadian dollars per metric tonne based on survey respondents.

Grain grades (unless otherwise specified) are: Western or Eastern Feed Wheat, Feed Oats, No. 1 Canada Western or Eastern Barley, No. 2 Canada Yellow Corn, No. 3 US Yellow Corn, Soybean Meal 48% Protein, Canola Meal Based on minimum standard of 35% Protein, Fish Meal: white fish and/or herring meal, Gluten Meal 60% Protein, Gluten Feed 21% Protein

(1) When 3CVR5 (2) Canadian Corn #3 or #2 (3) US Corn (4) Fish Meal from West Coast 63% Protein (5) Fish Meal 60% Protein (6) Herring Fish Meal (7) Fraser Valley (8) Wheat & Barley (Basis - Cash Price WCE) (9) Oats 3CW

B. CASH PRICES AND REPLACEMENT VALUES**March 7, 2005****PRAIRIE GRAINS**

Selected Points	Price Basis		This week 7-Mar-05	Last week 21-Feb-05	Month ago 7-Feb-05	Year ago 8-Mar-04
From: Thunder Bay(WCE) (2)	In-Store	Wheat	101.00	98.00	97.00	165.00
(CBOT)		Oat	154.20	159.50	161.75	155.25
(Lethbridge)		Barley	110.50	109.00	108.00	133.00
To: Bayport, ON (1)	In-store	Wheat	124.61	121.61	120.61	188.61
		Oat	N/A	N/A	N/A	N/A
		Barley	137.89	136.39	135.39	160.39
Montreal, QC (1)	In-store	Wheat	129.03	126.03	125.03	193.03
		Oat	N/A	N/A	N/A	N/A
		Barley	142.81	141.31	140.31	165.31
Moncton, NB	Truck via Halifax	Wheat	151.25	148.25	147.25	215.25
		Oat	N/A	N/A	N/A	N/A
		Barley	167.00	165.50	164.50	189.50
Truro, NS	Truck via Halifax	Wheat	145.22	142.22	141.22	209.22
		Oat	N/A	N/A	N/A	N/A
		Barley	164.50	163.00	162.00	187.00
Halifax, NS (1)	In-store	Wheat	136.28	133.28	132.28	200.28
		Oat	N/A	N/A	N/A	N/A
		Barley	150.80	149.30	148.30	173.30
Stephenville, NL	Track / Truck via Sydney	Wheat	199.63	196.63	195.63	263.63
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A
Melfort, SK		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Bayport, ON		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Montreal, QC		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Moncton, NB		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Truro, NS		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track / Truck via Sydney	Barley	N/A	N/A	N/A	N/A
Stephenville, NL		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A

Selected Points	Price Basis		This week 7-Mar-05	Last week 21-Feb-05	Last week 7-Feb-05	Year ago 8-Mar-04
Corn						
From: US Lake Port	On Board Vessel		102.39	102.39	95.94	157.94
To: Montreal, QC (1)	In-store		121.43	121.43	114.98	176.98
From: Chicago (IL)	Track		108.21	108.21	99.88	156.90
To: Montreal, QC	Track		137.07	137.07	128.74	185.76
From: Chatham, ON	Track		110.28	110.28	103.24	155.40
To: Montreal, QC	Track		134.15	134.15	127.11	179.27

Soymeal 48% Protein						
From: Hamilton, ON			272.27	272.27	242.29	393.60
To: Montreal, QC	Track		296.60	296.60	266.62	417.93
Moncton, NB	Track		315.35	315.35	285.37	436.68
Truro, NS	Track		318.57	318.57	288.59	439.90
Stephenville, NL	Track / Truck via Sydney		367.20	367.20	337.22	488.53

1. Prices include ONE month of storage and interest charges n/a = not available
2. Thunder Bay prices are based on the Winnipeg Commodities Exchange market close (Cash price)

Source: Market Analysis Division, Agriculture and Agri-Food Canada

Contact: Valérie Chartier: A/Statistical Clerk (204) 983-0581 Fax: (204) 983-5524 e-mail: chartierv@agr.gc.ca

Footnotes: All prices quoted in Canadian dollars per metric tonne.

Grain grades (unless otherwise specified) are: Canada Western Feed Wheat, Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn.

Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec.

Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable

A. SELLING PRICE OF BULK FEED INGREDIENTS AT SELECTED POINTS

February 21, 2005

SELECTED POINT	REFERENCE PERIOD	PRICE BASIS	WHEAT ⁽¹⁾	OATS	BARLEY	CORN	PRICE BASIS	SOYBEAN MEAL	CANOLA MEAL	MILL FEEDS	MEAT MEAL	FISH MEAL	ANIMAL FAT	GLUTEN MEAL	GLUTEN FEED	FEED PEAS	DEHY ALFALFA	FEATHER MEAL
Vancouver	February 21, 2005	FOB	125.00	N/A	127.00	141.50		270.00	175.50	102.00		875.00	500.00					335.00
BC (4) (7)	February 14, 2005	FOB	125.00	N/A	127.00	142.42		265.00	165.50	103.00								335.00
Calgary	February 21, 2005	FOB	104.00	N/A	108.00	139.00		269.50			145.00	975.00	535.00					310.00
AB (4)	February 14, 2005	FOB	104.00	N/A	108.00	140.00		267.00	N/A		145.00	975.00	535.00					310.00
Saskatoon	February 21, 2005	FOB	77.50	145.00	85.50	129.00		273.50	N/A		160.00	N/A	535.00					360.00
SK (4)	February 14, 2005	FOB	81.00	141.00	89.00	134.00		266.50	N/A		290.00	970.00	515.00					360.00
Winnipeg	February 21, 2005	FOB	125.00	140.00	107.50	116.00		252.00	N/A		290.00	970.00	515.00					340.00
MB (4) (9)	February 14, 2005	FOB	125.00	140.00	107.50	116.00		245.00	N/A		290.00	970.00	515.00					330.00
Thunder Bay	February 21, 2005	In-Store	100.00	N/A	106.50													
ON (8)	February 14, 2005	On Board	99.50	N/A	107.50													
Lake Ports	February 21, 2005	Vessel				97.47												
USA (3)	February 14, 2005					96.61												
Bay Ports	February 21, 2005	In-Store	128.00	205.00	138.00													
ON	February 14, 2005	Track	128.00	205.00	138.00													
Chatham	February 21, 2005					105.74												
ON	February 14, 2005					105.22												
Toronto	February 21, 2005	N/A					FOB				212.00	N/A	420.00		114.00		265.00	300.00
ON (5)	February 14, 2005										203.67	N/A	420.00		114.00		265.00	300.00
Hamilton	February 21, 2005	N/A						263.67	#N/A									
ON	February 14, 2005							250.33										
Eastern	February 21, 2005	FOB				105.50												
ON	February 14, 2005					101.85												
London	February 21, 2005	FOB																
Port Colborne	February 14, 2005																	
ON	February 21, 2005	FOB								57.00								
Cardinal	February 14, 2005									53.00								
ON	February 21, 2005	FOB																
Montreal	February 14, 2005		132.00	150.00	143.00	125.00		268.30	200.10	59.33	200.00	850.00	397.00	425.00	114.00		270.00	290.00
QC (5)	February 21, 2005		134.00	150.00	144.00	125.00	FOB	258.63	185.50	63.33	200.00			425.00	114.00		270.00	290.00
Trois-Rivières	February 21, 2005	In-Store	132.60		137.00	127.95												
QC	February 14, 2005		132.60		142.00	128.04												
St. Jean QC (2)	February 21, 2005	FOB	145.61	121.93	143.00	115.60		259.61										
St. Hyacinthe QC	February 14, 2005		145.99	118.69	143.25	114.75		251.57										
Quebec	February 21, 2005	In-Store	130.87	N/A	157.97	125.00		261.46										
QC	February 14, 2005		135.87	N/A	158.34	120.08		262.31										
Turro	February 21, 2005	Track	159.50		162.34	165.22		291.05	213.67		267.50		505.00					290.00
NS	February 14, 2005		158.56		161.49	164.20	FOB	288.88	201.10		256.55							290.00
Turro	February 21, 2005	Water	N/A	N/A	N/A	N/A												
NS	February 14, 2005	8 Truck	N/A	N/A	N/A	N/A												
Halifax	February 21, 2005	In-Store	N/A	N/A	N/A	160.40												
NS (6)	February 14, 2005		N/A	N/A	N/A	162.40		320.00				1,100.00	N/A					

Source: Market Analysis Division, Agriculture and Agri-Food Canada: Thunder Bay prices are based on the Winnipeg Commodity Exchange (WCE) market close US\$1.00=CANS12299, closing date February 18, 2005
Contact: Valérie Charteir A/Statistical Clerk Telephone: (204) 983-0581 Fax: (204) 983-5524 Email: charteirv@agr.gc.ca N/A = not available

Footnotes: All prices in Canadian dollars per metric tonne based on survey respondents.

Grain grades (unless otherwise specified) are: Western or Eastern Feed Wheat, Feed Oats, No 1 Canada Western or Eastern Barley, No 2 Canada Yellow Corn, No 3 US Yellow Corn, Soybean Meal 48 % Protein, Canola Meal based on minimum standard of 35% Protein, Fish Meal, white fish and/or herring meal, Gluten Meal 60% Protein, Gluten Feed 21% Protein

(1) Wheat 3C/WRS (2) Canadian Corn #3 or #2 (3) US Corn (4) Fish Meal from West Coast 63% Protein (5) Fish Meal 60% Protein (6) Herring Fish Meal (7) Fraser Valley (8) Wheat & Barley (Basis - Cash Price WCE) (9) Oats 3C/W

PRAIRIE GRAINS

Selected Points			Price Basis		This week 21-Feb-05	Last week 7-Feb-05	Month ago 24-Jan-05	Year ago 23-Feb-04
From:	Thunder Bay(WCE) (2)		In-Store	Wheat	98.00	97.00	103.00	160.00
	(CBOT)			Oat	159.50	161.75	170.00	149.75
	(Lethbridge)			Barley	109.00	108.00	112.00	126.00
To:	Bayport, ON (1)		In-store	Wheat	121.61	120.61	126.61	183.61
				Oat	N/A	N/A	N/A	N/A
				Barley	136.39	135.39	139.39	153.39
	Montreal, QC (1)		In-store	Wheat	126.03	125.03	131.03	188.03
				Oat	N/A	N/A	N/A	N/A
				Barley	141.31	140.31	144.31	158.31
	Moncton, NB		Truck via Halifax	Wheat	148.25	147.25	153.25	210.25
				Oat	N/A	N/A	N/A	N/A
				Barley	165.50	164.50	168.50	182.50
	Truro, NS		Truck via Halifax	Wheat	142.22	141.22	147.22	204.22
				Oat	N/A	N/A	N/A	N/A
				Barley	163.00	162.00	166.00	180.00
	Halifax, NS (1)		In-store	Wheat	133.28	132.28	138.28	195.28
				Oat	N/A	N/A	N/A	N/A
				Barley	149.30	148.30	152.30	166.30
	Stephenville, NL		Track / Truck via Sydney	Wheat	196.63	195.63	201.63	258.63
				Oat	N/A	N/A	N/A	N/A
				Barley	N/A	N/A	N/A	N/A
	Melfort, SK			Wheat	N/A	N/A	N/A	N/A
				Oat	N/A	N/A	N/A	N/A
			Track	Barley	N/A	N/A	N/A	N/A
	Bayport, ON			Wheat	N/A	N/A	N/A	N/A
				Oat	N/A	N/A	N/A	N/A
			Track	Barley	N/A	N/A	N/A	N/A
	Montreal, QC			Wheat	N/A	N/A	N/A	N/A
				Oat	N/A	N/A	N/A	N/A
			Track	Barley	N/A	N/A	N/A	N/A
	Moncton, NB			Wheat	N/A	N/A	N/A	N/A
				Oat	N/A	N/A	N/A	N/A
			Track	Barley	N/A	N/A	N/A	N/A
	Truro, NS			Wheat	N/A	N/A	N/A	N/A
				Oat	N/A	N/A	N/A	N/A
			Track / Truck via Sydney	Barley	N/A	N/A	N/A	N/A
	Stephenville, NL			Wheat	N/A	N/A	N/A	N/A
				Oat	N/A	N/A	N/A	N/A
				Barley	N/A	N/A	N/A	N/A

Selected Points		Price Basis				
Corn			This week 21-Feb-05	Last week 7-Feb-05	Last week 24-Jan-05	Year ago 23-Feb-04
From: US Lake Port		On Board Vessel	96.84	96.84	94.23	152.78
To: Montreal, QC	(1)	In-store	115.88	115.88	113.27	171.82
From: Chicago (IL)		Track	101.20	101.20	99.04	155.95
To: Montreal, QC		Track	130.06	130.06	127.90	184.81
From: Chatham, ON		Track	105.74	105.74	102.13	153.14
To: Montreal, QC		Track	129.61	129.61	126.00	177.01

Soymeal 48% Protein

From: Hamilton, ON			263.67	263.67	243.39	375.20
To: Montreal, QC	Track		288.00	288.00	267.72	399.53
Moncton, NB	Track		306.75	306.75	286.47	418.28
Truro, NS	Track		309.97	309.97	289.69	421.50
Stephenville, NL	Track / Truck via Sydney		358.60	358.60	338.32	470.13

Prices include ONE month of storage and interest charges n/a = not available

4. Thunder Bay prices are based on the Winnipeg Commodities Exchange market close (Cash price)

Source: Market Analysis Division, Agriculture and Agri-Food Canada

Contact: Valérie Chartier: A/Statistical Clerk (204) 983-0581 Fax: (204) 983-5524 e-mail: chartierv@agr.gc.ca

Footnotes: All prices quoted in Canadian dollars per metric tonne.

Grain grades (unless otherwise specified) are: Canada Western Feed Wheat, Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn.

Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec.

Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable.



Bi-weekly Bulletin

March 18, 2005 Volume 18 Number 6



CANARY SEED: SITUATION AND OUTLOOK

(with an overview of Canadian spice crops production)

Canada accounts for about 85% of world production and about 90% of world exports of canary seed. The value of Canadian canary seed exports averaged about \$100 million during the past five years. For 2005-2006, Canadian canary seed production is forecast to decrease, but supply is expected to be similar to 2004-2005. Therefore, the average price is forecast to be the same as in 2004-2005. In the longer term, Canario, which was developed in Canada, offers opportunities for food and industrial uses, and is expected to result in increased demand. This issue of the *Bi-weekly Bulletin* examines the situation and outlook for canary seed. It also includes an overview of Canadian spice crops production.

WORLD

Production and Trade

During the past 10 years, world canary seed production ranged from a low of 149,000 tonnes (t) in 2001-2002 to a high of 347,000 t in 1996-1997. Annual production was variable, but the variability was mainly in Canada.

Most of the world's canary seed production is exported. Canary seed exports have been relatively stable during the past ten years, averaging about 210,000 t per year. Although normally there is little substitution of other birdseed for canary seed, substitution occurs in years when the canary seed price is high compared to alternatives, such as millet. The substitution occurs mainly in wild bird seed mixtures. In 2003, the latest year for which statistics are available, world exports were 204,000 t and imports 221,000 t. However, about 10% of the exports were re-exported to third countries. Canada dominates world exports, accounting for about 90% of the exports in 2003, if re-exports are excluded. Argentina and Hungary are the only other significant exporters of canary seed, excluding re-exporters such as the United States (US), Belgium and Netherlands. Imports are much more widely distributed than exports, with the top five importing countries (Mexico, Brazil, Belgium, US and Spain) accounting for about 65% of imports.

CANADA

Production

Canary seed is a cool season crop which prefers long warm days and cool nights. It is well suited to the Canadian prairies and matures in approximately 100 days. Canary seed is shallow rooted and is more sensitive to heat and less drought tolerant and salt tolerant than wheat. It does best on heavy clay or clay loam, moisture retentive soils. Canary seed should be planted as early in May as possible. Late seeding can lead to delayed maturation of the straw during harvest.

Canary seed is shatter resistant, which allows it to be straight combined. If the crop is swathed, it should not be cut until it has reached full maturity and should be combined soon after swathing. Caution should be taken to keep dehulling to a minimum, since dehulled seed is classified as dockage and must be cleaned out. Canary seed with the hull intact is shiny and golden yellow. Dehulled canary seed is dark brown in colour. Canary seed can be stored for long periods of time without losing quality, provided it is put into storage in good condition. Canadian canary seed is normally

WORLD: CANARY SEED SUPPLY AND DISPOSITION

	2001- 2002	2002- 2003	2003- 2004	2004- 2005f	2005- 2006e
Harvested Area (000 ha)	197	261	290	355	280
Average Yields (t/ha)	0.76	0.81	0.91	0.96	0.96
.....thousand tonnes.....					
Canada*	114	176	226	300	230
Hungary	5	8	10	11	11
Argentina	19	17	18	17	18
Australia	6	6	6	6	6
Uruguay	3	3	3	3	3
Mexico, Turkey, Spain	2	2	2	2	2
Total Production	149	212	265	339	270
Carry-in Stocks (e)	70	30	20	67	140
Total Supply (e)	219	242	285	406	410
Total Use (e)	189	222	218	266	275
Carry-out Stocks (e)	30	20	67	140	135
Stocks-to-use ratio (%)	16	9	31	53	49

Source: FAO, except *Statistics Canada - March 2005

f: AAFC forecast, March 2005

e: AAFC estimate, March 2005

harvested in September and early October.

Canadian canary seed production during the past ten years has been variable, ranging from 114,000 t in 2001-2002 to 300,000 t in 2004-2005. Canada's share of world production increased during this period as production in Argentina and Hungary decreased. On average, Saskatchewan accounted for 90% of Canadian production, with the remainder produced in Manitoba and Alberta.

Canario

Canario is a glabrous or hairless type of canary seed developed in Canada, with first commercial production starting in 1997. Canary seed has tiny hairs at the base of the seed that break off and cause severe itching to producers, processors, and packagers. Canario eliminates that problem.

Canario also helps the industry through reduced shipping costs due to 12% greater seed packing per container and the elimination of the oiling and polishing steps in processing.

The Canadian Special Crops Association (CSCA) has obtained registration for the trademark Canario in Canada, European Union and Mexico. Registration in the US and Brazil is pending. Canario varieties must be 97% glabrous in order to bear the Canario trademark. The Canadian Grain Commission (CGC) has developed a Canario Seed Analysis Certificate to be used for shipments of canary seed which meet the Canario standard.

Uses

Canary seed has only one market at the present time, as a major component in seed mixtures for pet

and wild birds. Typically it is mixed with seeds such as millet, sunflower seed, safflower seed, niger seed, buckwheat, cereal grains, flaxseed, and canola.

Marketing

All of the canary seed produced in Canada is sold on the open market to dealers. Canary seed going to customers in Canada and the US is shipped bulk in trucks or in containers which are carried by trucks or trains. Canary seed going to northern Europe is usually shipped bulk, whereas canary seed going to customers in southern Europe and other parts of the world is usually shipped in containers. Some canary seed is grown under production contracts, which guarantee a price for part of the production, but most is sold on the spot market.

The Canadian Special Crops Association (CSCA)

(www.specialcrops.mb.ca) establishes trade rules for domestic trade and serves as a forum for exporters, dealers and brokers involved in the industry of trading Canada's pulse and special crops, including canary seed. The website includes a section where buyers can submit a request for prices.

Canary seed does not fall under the Canada Grain Act and Regulations. Therefore, the CGC (www.grainscanada.gc.ca) has not established grades for the crop and canary seed producers do not qualify for compensation should companies licensed by the CGC default on their payments.

Export specifications for canary seed are usually minimum 99% pure seed, with a maximum of 4% dehulled seed.

Domestic Use

Canadian domestic use, which includes bird seed, seed and dockage, has ranged from 20,000 t to 50,000 t per year during the past ten years. Canary seed is mixed with other seed for bird seed by processors located in western and central Canada, and sold under their own brands or under customized store brands. No standards exist for mixes or packaging. A company in Saskatchewan is using organic canary seed in organic bird seed mixtures.

Canada: Canary Seed Supply and Disposition

	2001- 2002	2002- 2003	2003- 2004	2004- 2005f	2005- 2006f
Aug - July crop year					
Seeded Area (000 ha)	170	287	251	356	249
Harvested Area (000 ha)	163	227	243	318	242
Yield (t/ha)	0.70	0.78	0.93	0.94	0.95
.....thousand tonnes.....					
Carry-in stocks	70	30	20	67	140
Production	114	176	226	300	230
Total Supply	184	206	246	367	370
Exports					
Europe	49	49	51	53	54
Central America	35	38	35	39	41
South America	29	41	53	55	55
United States	15	26	20	22	24
Middle East & Africa	3	6	6	6	6
Asia & Oceania	3	4	5	5	5
Total Exports	134	164	170	180	185
Total Domestic Use	20	22	*9	47	50
Total Use	154	186	179	227	235
Carry-out Stocks	30	20	67	140	135
Stocks-to-use ratio (%)	19	11	37	62	57
Seeded Area (000 ac)	420	709	620	880	615
Yield (lbs/ac)	624	692	830	842	848
Average producer price					
\$/t	660	575	345	215-245	215-245
\$/lb	0.30	0.26	0.156	0.10-0.11	0.10-0.11

Source: Statistics Canada and AAFC

f. Agriculture and Agri-Food Canada forecast, March 2005

Note*: Domestic use is calculated residually. For 2003-04, based on export and carry-out stocks data, it appears that Statistics Canada's production estimate may be low or carry-out stocks high resulting in a very low residual.

Exports

Canadian exports of canary seed are mainly in the bulk, unprocessed form, although packaged seed mixtures are also exported. Exports have been variable, ranging from 122,000 t to 170,000 t per year, but with a slight upward trend during the past ten years. The western hemisphere and Europe are the main destinations for Canadian canary seed, although it is exported throughout the world. The main importing countries are Mexico, US, Brazil, Venezuela, Colombia, Belgium, Italy and Spain. Although Canada is the dominant exporter, it has competition from Argentina in Brazil and from Hungary in Europe.

Prices

Canadian prices are determined on an export basis because Canada exports about 85% of its canary seed production. They are, therefore, highly sensitive to the value of the Canadian dollar in foreign markets. Since there are no futures markets for canary seed, prices are negotiated between the producer, dealer and customer based on supply and demand factors. The prices negotiated could be for immediate or future delivery. The average price has been volatile, depending on supply, ranging from \$240 to \$660 per tonne (t) during the past ten years.

OUTLOOK

World: 2005-2006

Production is forecast to decrease by 20%, from 2004-2005, to 270,000 t, because of lower production in Canada. Total supply is forecast to increase marginally to 410,000 t, due to sharply higher carry-in stocks. Total use is expected to increase slightly due to higher demand and carry-out stocks are expected to decrease slightly.

Canada: 2005-2006

Area seeded is forecast to decrease by 30% from 2004-2005, due to lower potential returns compared to many alternative crops. However, the harvested area is expected to decrease by 24%, assuming a return to normal abandonment. The abandonment in 2004-2005 was higher than normal due to frost damage and a late harvest. Assuming trend yields, production is forecast to decrease by 23% to 230,000 t. Total

supply is forecast to increase marginally to 370,000 t due to higher carry-in stocks. Exports are forecast to increase slightly because of higher demand and carry-out stocks are expected to decrease slightly. The average price is forecast to be the same as in 2004-2005 because of the relatively stable supply. The main factor to watch is precipitation during the growing and harvest periods.

Canada: Longer Term

The development of Canario offers opportunities for food and industrial uses. Researchers have established that Canario groats (dehulled seed) have a protein content of about 19%, which is significantly higher than for wheat and other cereal grains and is close to pulse crops. Canario's oil content is about 9%, about four times as high as for wheat. The oil is made up of 32% oleic and 54% linoleic fatty acids, a desirable composition for human consumption. Prolamin and glutelin are the main storage proteins in canary seed, constituting 78% of total proteins. Canary seed protein is high in cystine, tryptophan and phenylalanine, but low in lysine and threonine. It would be a good supplemental protein source for dairy proteins, such as casein and whey proteins. Its starch content is similar to wheat, at about 61%. Canario has a high lipid content, which could be valuable by-product. The presence of antioxidant activity in Canario lipid could be a delaying factor in rancidity of Canario products during storage. Canario starch comprises small polygonal granules, smaller than commercially available starches. It was found to form a rigid gel which was stable under cooling and freezing conditions.

Canario could be roasted and used as a low fat substitute for sesame seed in bread and snack food. It has the potential for use as a fat substitute because the oil is high in unsaturated fat. Canario's starch properties could make it suitable for use in the cosmetics industry or as an industrial dusting starch. Canario can be separated into starch, protein, oil and fibre by wet milling. The flour can be used in baking wheat-Canario and multi-grain bread and cookies.

World: Canary Seed Exports

Calendar Year	1999	2000	2001	2002	2003
.....thousands of tonnes.....					
Canada*	145	158	166	146	170
Argentina	21	22	22	12	9
US	20	14	8	11	8
Belgium	11	9	13	9	6
Netherlands	5	5	5	5	3
Hungary	27	5	5	8	4
Australia	2	3	1	1	0
Other	2	3	5	4	4
Total	233	219	225	196	204

Source: FAO, except *Statistics Canada
- March 2005

World: Canary Seed Imports

Calendar Year	1999	2000	2001	2002	2003
.....thousands of tonnes.....					
Mexico	42	51	49	54	53
Brazil	39	42	38	33	33
Belgium	30	34	36	24	22
US	15	19	17	14	16
Spain	17	17	16	14	15
Italy	15	10	9	10	9
Colombia	3	4	6	5	9
Venezuela	4	4	5	6	7
UK	12	4	7	7	4
Netherlands	9	9	10	5	4
Portugal	5	5	5	5	4
Chile	4	4	4	4	4
Germany	7	5	10	3	3
France	4	5	4	3	3
Peru	1	1	1	2	3
Algeria	2	2	1	2	2
China	1	2	2	1	2
Greece	2	2	1	1	2
Japan	2	2	2	1	2
Guatemala	1	1	1	1	1
Indonesia	1	1	1	2	2
Other	22	16	16	22	21
Total	238	240	241	219	221

Source: FAO - March 2005

The difference between imports and exports is partly attributed to the timing of delivery.

US: United States

UK: United Kingdom

The use of Canario for food and industrial products is expected to encourage premium pricing for Canario compared to traditional canary seed. It would also increase demand for Canadian canary seed significantly. This in turn would result in increased economic diversification through the replacement of traditional crops and through the development of new processing opportunities for food and industrial uses.

SPICE CROPS

Saskatchewan: Caraway Seed Area, Production and Prices								
Aug - July crop year	1997-1998	1998-1999	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005f
Seeded Area (000 ha)	5.0	4.8	4.0	8.1	6.1	8.1	8.1	4.0
Harvested Area (000 ha)	4.4	3.5	4.0	7.3	4.1	6.1	6.1	4.0
Yield (t/ha)	0.59	0.60	0.85	0.75	0.32	0.39	0.52	0.63
Production (000 t)	2.6	2.1	3.4	5.5	1.3	2.4	3.2	2.5
Average Price (\$/t)	770	680	730	1,030	1,450	1,450	880	790
Canadian Exports (000t)	1.6	2.8	3.8	2.5	2.5	2.0	2.0	2.5

Saskatchewan: Coriander Seed Area, Production and Prices								
Aug - July crop year	1997-1998	1998-1999	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005f
Seeded Area (000 ha)	8.8	10.1	8.1	6.1	6.1	8.1	8.1	12.1
Harvested Area (000 ha)	8.5	10.1	8.1	6.1	6.1	7.3	8.1	10.1
Yield (t/ha)	0.62	0.93	0.88	0.66	0.66	0.71	0.59	0.78
Production (000 t)	5.3	9.4	7.1	4.0	4.0	5.2	4.8	7.9
Average Price (\$/t)	790	460	370	370	550	570	570	440
Canadian Exports (000t)	3.8	4.2	4.5	4.8	3.8	3.1	5.6	4.0

Source: Statistics Canada, Saskatchewan Agriculture, Food and Rural Revitalization, and AAFC
f: Agriculture and Agri-Food Canada forecast, March 2005

Canadian spice crops production is concentrated in Saskatchewan, with smaller volumes produced in Manitoba and Alberta. The main spice crops produced in Canada are caraway seed and coriander seed, but a small amounts of fenugreek seed and dill seed are also produced.

Seed from spice crops is used to add flavour to food. Caraway seed is used to flavour such foods as bread, cheese and sauerkraut. Coriander seed is used to flavour products such as curries, gin and prepared meats.

Caraway seed produced in Canada is usually from biennial varieties which require a second growing season to produce seed. Although annual varieties are available, they are lower yielding and late maturing, which increases the risk of frost damage. Coriander seed is an annual crop.

World production data for caraway seed and coriander seed is not available. Caraway seed is produced mainly in northern Europe, India, US and Canada. Coriander seed is produced mainly in countries along the Mediterranean and Black seas, Argentina, India and Canada.

Canadian production data for caraway seed and coriander seed is only available for the main producing province, Saskatchewan. Production of both crops in Saskatchewan has been variable, in line with variable seeded area, crop abandonment and yields. Spice crops are sometimes grown under production contracts. Average prices have also varied due to production variability in Canada and other producing countries and lack of world production data.

Most of Canadian caraway seed and coriander seed exports are to the US. Other significant destinations for caraway seed are Netherlands, Belgium and Germany, and for coriander seed United Kingdom, Trinidad and Tobago, Sri Lanka, Mexico, Japan and Brazil.

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CANADA: GRAINS AND OILSEEDS OUTLOOK

March 14, 2005

For 2005-06, total production of grains and oilseeds in Canada is forecast by Agriculture and Agri-Food Canada (AAFC) to decline by 4%, to 61.5 million tonnes (Mt), due to lower yields, but remain above the 10-year average of 59.2 Mt. In western Canada, seeded area is expected to shift out of winter wheat, barley, canola and summerfallow into spring wheat, durum wheat, oats and flaxseed. In eastern Canada, a 5% decline in winter wheat area is forecast to be offset by an increase in areas of spring wheat and dry beans. In western Canada, production is forecast to decrease to 46.5 Mt from 48.2 Mt in 2004-05. Trend yields are assumed for both western and eastern Canada, as soil moisture reserves are generally good. Normal growing conditions, abandonment rates and crop quality have been assumed.

Average world prices for wheat, coarse grains and oilseeds are forecast to decrease from 2004-05 due to rising carry-out stocks, especially in the major exporting countries. In Canada, prices for all grains and oilseeds will remain under pressure as the Canadian dollar is expected to remain relatively strong. Factors to watch are: Chinese import demand, South American growing conditions, EU grain export subsidy levels, the US winter wheat condition, ocean freight rates and the Canada/US exchange rate.

WHEAT (ex-durum)

For 2004-05, exports are forecast to decline by 5%, to 11.7 Mt, due to reduced supplies of good quality wheat. Domestic use is forecast to rise by almost 25%, due to higher feed use resulting from the low quality of the western Canadian crop. Carry-out stocks are forecast to increase by 19% to 5.1 Mt. Carry-out stocks are expected to largely be of low quality.

For 2005-06, Canadian production is forecast to decline by 6% from 2004-05, to 19.7 Mt, as yields decrease to a trend level. Domestic use is expected to fall. However, high carry-in stocks of feed wheat are expected to maintain wheat feeding at an above-average 4.0 Mt. Exports are projected to increase to 12.7 Mt, assuming that supplies of top-quality CWRs wheat increase to more normal levels. The Canadian Wheat Board (CWB) 2005-06 Pool Return Outlook (PRO) for No.1 CWRs 11.5% protein is \$180/t, in-store Vancouver/ St. Lawrence (I/S VC/SL), \$7/t below 2004-05.

Assuming a normal quality crop, returns for high protein CWRs wheat are expected to decline by a greater amount, with smaller declines for medium quality wheat.

DURUM

For 2004-05, exports are forecast to fall by 10%, to 3.1 Mt, due to reduced supplies of top-quality durum and increased production in the major importing countries. Carry-out stocks are projected to rise by over 50%.

For 2005-06, production is forecast to be relatively unchanged at 5.0 Mt. Total supplies are forecast to rise by 14%, to a record 7.7 Mt, however, due to higher carry-in stocks. Exports are projected to increase by 16% to 3.6 Mt, mainly due to reduced export competition from the EU. However, carry-out stocks are forecast to rise by a further 19%, to a record 3.2 Mt. Farm stocks are forecast to rise by almost 30% to a record 1.8 Mt. The CWB PRO for No.1 CWAD 11.5% protein is \$188/t, I/S VC/SL, down \$9/t from 2004-05. The premium for No.1 CWAD 11.5% over No.1 CWRs 11.5% is projected at \$8/t, vs. \$10/t in 2004-05.

BARLEY

For 2004-05, exports are forecast to decrease by 24% from 2003-04, to 1.85 Mt, due to lower selection rates for malting barley and relatively strong domestic prices. Carry-out stocks are forecast to rise to a burdensome level of 3.5 Mt.

For 2005-06, production is forecast to fall by 8% from 2004-05, to 12.2 Mt, due to lower yields and area. Supply is expected to rise slightly, however, due to higher carry-in stocks. Domestic use is forecast to rise by 2% due to increased feed demand. Exports are forecast to rise significantly, to 2.5 Mt, due to increased supplies of malting quality barley. Carry-out stocks are expected to fall to 3.0 Mt. The off-Board Lethbridge cash feed barley price is forecast at \$110/t, the same as for 2004-05. The CWB PRO, I/S VC/SL, is \$111/t for No. 1 CW feed barley pool A, \$170/t for Special Select Two Row and \$158/t for Special Select Six Row designated barley, vs. \$117/t, \$178/t and \$164/t, respectively, for 2004-05.

OATS

For 2004-05, exports are forecast to decline by 4% from 2003-04, to 1.5 Mt, as a result of decreased supplies of milling quality oats in Canada and the weakness in US import demand. Carry-out stocks are projected to increase by 38%, to 1.1 Mt.

For 2005-06, production is forecast to increase by 8%, as lower yields are more than offset by higher harvested area. Domestic use is forecast to increase to 2.1 Mt, due to higher feed and food demand. Exports are forecast to rise by 20%, due to improved crop quality, increased supplies, and stronger US demand. Carry-out stocks are expected to rise by 9%, to 1.2 Mt. The Chicago price is forecast at C\$120/t, \$10/t lower than for 2004-05.

CORN

For 2004-05, imports are forecast at 2.1 Mt, marginally lower than 2003-04. Industrial use is expected to increase significantly. For 2005-06, production is forecast to fall slightly to 8.7 Mt due to lower yields. Imports are forecast to rise by 5% to 2.2 Mt. Carry-out stocks are expected to drop by 20% to 0.8 Mt. The average Chatham price is forecast to remain unchanged at \$100/t.

CANOLA

For 2004-05, exports are forecast to drop by 9% to 3.4 Mt. Carry-out stocks are expected to rise to a burdensome 1.5 Mt. For 2005-06, production is forecast to fall by 11% to 6.9 Mt, due to lower seeded area and yields, but supply is forecast to rise due to higher carry-in stocks. Crush is forecast to fall by 3% to 3.1 Mt, due to low vegoil prices. Exports are projected to be stable at 3.4 Mt. Carry-out stocks are forecast to decline slightly. The average Vancouver cash price is expected to decline to \$300/t, due to low US soybean and soyoil prices.

FLAXSEED (excluding solin)

For 2004-05, exports are expected to decline substantially because of reduced supplies. Average prices are expected to be significantly higher than 2003-04. For 2005-06, production is forecast to more than double to 1.2 Mt, due to higher area seeded and yields. Exports are forecast to increase to a historically normal level due to strong EU demand. Carry-out stocks are expected to increase sharply to a 20-year high of 0.3 Mt. The Thunder Bay cash price is forecast to fall significantly to \$340/t, due to higher carry-out stocks.

SOYBEANS

For 2004-05, exports are expected to rise to a record 0.95 Mt, while domestic crush is stable at 1.45 Mt. For 2005-06, production is forecast to fall marginally, to 3.0 Mt, under pressure from lower yields. Supplies are projected to rise by 5% due to higher carry-in stocks. Food and industrial use is forecast to increase to 1.75 Mt. Exports are expected to decline slightly but remain near record levels. Carry-out stocks are forecast to remain historically high. The average Chatham price is forecast to decrease to \$220/t, due to lower US prices.

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CANADA: GRAINS AND OILSEEDS SUPPLY AND DISPOSITION

March 14, 2005

Grain and Crop (a)	Area		Yield t/ha	Production	Imports	Total	Exports	Food and	Feed,	Total Dom-	Carry-out	Average
	Seeded	Harvested			(b)	Supply	(c)	Ind. Use (e)	& Dockage	estic Use (d)	Stocks	Price (f)
	-----	000 ha-----					-----	thousand metric tonnes-----				\$/t
Durum												
2003-2004	2,483	2,459	1.74	4,280	1	5,900	3,427	252	220	684	1,788	224.21
2004-2005f	2,230	2,141	2.32	4,962	1	6,751	3,100	255	456	951	2,700	197 *
2005-2006f	2,450	2,425	2.06	5,000	1	7,701	3,600	260	421	901	3,200	188 *
Wheat Except Durum												
2003-2004	8,179	8,009	2.41	19,272	16	23,395	12,300	2,775	3,222	6,804	4,292	206.03
2004-2005f	8,170	7,722	2.71	20,898	10	25,200	11,700	2,770	4,800	8,400	5,100	187 *
2005-2006f	8,400	8,100	2.43	19,700	10	24,810	12,700	2,800	3,990	7,610	4,500	180 *
All Wheat												
2003-2004	10,662	10,467	2.25	23,552	18	29,295	15,727	3,027	3,442	7,488	6,080	
2004-2005f	10,399	9,862	2.62	25,860	11	31,952	14,800	3,025	5,256	9,352	7,800	
2005-2006f	10,850	10,525	2.35	24,700	11	32,511	16,300	3,060	4,411	8,511	7,700	
Barley												
2003-2004	5,046	4,446	2.77	12,328	36	13,838	2,445	298	8,574	9,286	2,108	135.80
2004-2005f	4,678	4,050	3.26	13,186	50	15,344	1,850	300	9,289	9,994	3,500	100-120
2005-2006f	4,510	4,040	3.01	12,180	30	15,710	2,500	380	9,425	10,210	3,000	100-120
Corn												
2003-2004	1,265	1,226	7.82	9,587	2,107	12,804	342	2,415	8,892	11,319	1,143	137.18
2004-2005f	1,185	1,072	8.24	8,836	2,100	12,078	150	2,650	8,263	10,928	1,000	90-110
2005-2006f	1,153	1,130	7.70	8,700	2,200	11,900	150	2,700	8,235	10,950	800	90-110
Oats												
2003-2004	2,272	1,575	2.34	3,691	19	4,234	1,557	140	1,569	1,876	800	136.65
2004-2005f	1,995	1,315	2.80	3,683	20	4,504	1,500	150	1,567	1,904	1,100	120-140
2005-2006f	2,120	1,540	2.57	3,960	15	5,075	1,800	170	1,705	2,075	1,200	110-130
Rye												
2003-2004	246	147	2.22	327	0	357	171	47	70	135	50	104.44
2004-2005f	284	165	2.53	418	1	469	250	48	99	164	55	65-85
2005-2006f	230	200	2.15	430	1	486	250	48	101	166	70	65-85
Mixed Grains												
2003-2004	241	135	2.84	384	0	384	0	0	384	384	0	
2004-2005f	233	111	2.87	318	0	318	0	0	318	318	0	
2005-2006f	235	140	2.79	390	0	390	0	0	390	390	0	
Total Coarse Grains												
2003-2004	9,070	7,529	3.50	26,317	2,161	31,617	4,516	2,900	19,489	23,001	4,101	
2004-2005f	8,374	6,713	3.94	26,441	2,171	32,713	3,750	3,148	19,536	23,308	5,655	
2005-2006f	8,250	7,050	3.64	25,660	2,246	33,561	4,700	3,298	19,856	23,791	5,070	
Canola												
2003-2004	4,736	4,689	1.44	6,771	243	7,908	3,754	3,390 ¹	110	3,542	612	387.04
2004-2005f	5,319	4,938	1.57	7,728	200	8,540	3,400	3,200 ¹	420	3,665	1,475	285-325
2005-2006f	5,015	4,890	1.41	6,900	225	8,600	3,400	3,100 ¹	630	3,775	1,425	280-320
Flaxseed												
2003-2004	745	728	1.04	754	22	905	609	n/a	n/a	199	97	382.13
2004-2005f	728	528	0.98	517	30	644	450	n/a	n/a	144	50	500-600
2005-2006f	1,000	974	1.23	1,200	20	1,270	700	n/a	n/a	245	325	320-360
Soybeans												
2003-2004	1,051	1,047	2.17	2,268	587	3,000	913	1,500 ¹	319	1,947	140	395.04
2004-2005f	1,229	1,178	2.59	3,048	250	3,438	950	1,450 ¹	488	2,063	425	215-255
2005-2006f	1,215	1,199	2.50	3,000	250	3,675	900	1,750 ¹	490	2,350	425	200-240
Total Oilseeds												
2003-2004	6,531	6,464	1.52	9,794	852	11,813	5,276	n/a	n/a	5,688	849	
2004-2005f	7,277	6,643	1.70	11,293	480	12,622	4,800	n/a	n/a	5,873	1,950	
2005-2006f	7,230	7,063	1.57	11,100	495	13,545	5,000	n/a	n/a	6,370	2,175	
Total Grains And Oilseeds												
2003-2004	26,263	24,461	2.44	59,663	3,030	72,725	25,518	n/a	n/a	36,177	11,030	
2004-2005f	26,050	23,219	2.74	63,595	2,662	77,287	23,350	n/a	n/a	38,532	15,405	
2005-2006f	26,330	24,638	2.49	61,460	2,752	79,617	26,000	n/a	n/a	38,672	14,945	

(a) August - July crop year except corn and soybeans which are September - August.

(b) Excludes imports of products.

(c) Includes exports of products for wheat, oats, barley, and rye. Excludes exports of oilseed products.

(d) Total = F&I + FWD + Seed Use

(e) Industrial use excludes flaxseed due to data confidentiality.

(f) Crop year average prices: No.1 CWRS 11.5% protein and No.1 CWAD 11.5% (CWB final price I/S St. Lawrence/Vancouver); Barley (No. 1 feed, WCE, cash, I/S Lethbridge); Corn (No.2 CE, cash, I/S Chatham); Oats (US No. 2 Heavy, CBoT nearby futures); Rye (No.2 Canada, Elevator bids at select western delivery points); Canola (No. 1 Canada, WCE, cash, I/S Vancouver); Flaxseed (No. 1 CW, WCE, cash, I/S Thunder Bay); Soybeans (No. 2, I/S Chatham).

* CWB Pool Return Outlook (PRO) - March 2005

^{1/} Source for Food and Industrial Use is based on data from the Canadian Oilseed Processors Association.

f: forecast - Agriculture and Agri-Food Canada - March 14, 2005

Source: Statistics Canada, Cereals and Oilseeds Review Series, Cat. No. 22-007



CANADA: PULSE AND SPECIAL CROPS OUTLOOK

March 14, 2005

For 2005-06, total area seeded to pulse and special crops in Canada is forecast to decrease by 6%, from 2004-05, as increases for dry beans, sunflower seed and chickpeas are more than offset by decreases for lentils, mustard seed and canary seed. Seeded areas for dry peas and buckwheat are expected to be similar to 2004-05. It is assumed that precipitation will be normal for the spring and summer. Trend yields are assumed for both western and eastern Canada, as soil moisture reserves are generally good. It has been assumed that the abandonment rate and average quality will be normal.

Total production in Canada is forecast to decrease by 11%, from 2004-05, to 4.66 million tonnes (Mt). Total supply is expected to decrease slightly to 5.7 Mt as higher carry-in stocks offset most of the decrease in production. Exports and domestic use are forecast to increase slightly due to stronger demand. Carry-out stocks are expected to decrease. Average prices, over all types, grades and markets, are forecast to increase for chickpeas and mustard seed, decrease for dry beans and sunflower seed, and be the same for dry peas, lentils, canary seed and buckwheat. However, prices are expected to be very sensitive to any production problems. The main factor to watch will be precipitation during the spring and summer in Canada. Other factors to watch are the exchange rates of the Canadian dollar against the US dollar and other currencies, ocean shipping rates and growing conditions in major producing regions, especially India, Mexico, United States, European Union, Turkey and Australia.

DRY PEAS

For 2004-05, due to higher production and supply, lower prices and stronger demand, exports are forecast to increase sharply. The average price is forecast to decrease, compared to 2003-04, as carry-out stocks increase, with a stocks-to-use ratio (s/u) of 16%.

For 2005-06, the area seeded is forecast to be similar to 2004-05. Production and supply are forecast to decrease due to lower trend yields. World supply is expected to increase marginally to 12.8 Mt because of higher carry-in stocks and higher production in the US, but this is expected to be offset by increased use. Canadian exports are expected to decrease slightly due to increased competition from the US, but domestic use is forecast to increase due to stronger demand in the feed sector. Carry-out stocks are forecast to decrease, with a s/u of 10%. The average price, over all types, grades and markets, is forecast to be the same as in 2004-05.

LENTILS

For 2004-05, due to higher production and supply, lower prices and higher demand, exports are forecast to increase sharply. The average price is forecast to decrease, as carry-out stocks increase, with a s/u of 15%.

For 2005-06, the seeded area is forecast to decrease by 5%. Production and supply are forecast to decrease due to the lower seeded area and lower trend yields. World supply is forecast to increase slightly to 4.0 Mt due to higher carry-in stocks. Canadian exports are expected to remain stable and carry-out stocks are forecast to increase, with a s/u of 20%. The average price, over all types and grades, is forecast to be the same as in 2004-05, as pressure from higher world supply is offset by higher average quality.

DRY BEANS

For 2004-05, production and supply decreased significantly in Canada and the US. Canadian exports are forecast to decrease because of lower supply, as carry-out stocks decrease to a low level.

For 2005-06, area seeded is forecast to increase by 15%. Production and supply are expected to increase, due to higher area, lower abandonment and higher trend yields. In the US, production is expected to increase by 37% to 1.065 Mt, while

supply increases by only 8% to 1.135 Mt due to lower carry-in stocks. Canadian exports are forecast to increase due to the higher supply. Carry-out stocks are expected to increase, with a s/u of 6%. The average price, over all classes and grades, is forecast to decrease due to the higher supply.

CHICKPEAS

For 2004-05, due to lower production and supply, exports are forecast to decrease. The average price is forecast to increase, as carry-out stocks decrease to a low level.

For 2005-06, the area seeded is forecast to increase by 15%. Production is expected to increase, as higher area and lower abandonment more than offsets lower trend yields. Supply is forecast to decrease, due to lower carry-in stocks. World supply is expected to decrease marginally to 8.8 Mt. Canadian exports are forecast to remain stable, while carry-out stocks remain at a low level. The average price, over all types, grades and sizes, is forecast to increase due to higher average quality.

MUSTARD SEED

For 2004-05, due to higher production and supply, lower prices and stronger demand, exports are forecast to increase. Carry-out stocks are expected to increase, with a s/u of 70%, and the average price is forecast to decrease sharply. For 2005-06, area seeded is expected to decrease by 25%. Production and supply are forecast to decrease because of lower seeded area and lower trend yields. Exports are expected to rise and carry-out stocks are forecast to decrease, with a s/u ratio of 48%. The average price, over all types and grades, is expected to increase due to the lower supply.

CANARY SEED

For 2004-05, due to higher production and supply, lower prices and higher demand, exports are forecast to increase. Carry-out stocks are expected to increase, with a s/u ratio of 62%. The average price is forecast to decrease sharply due to the higher supply.

For 2005-06, area seeded is expected to decrease by 30%. Production is forecast to decrease due to lower area, but supply is expected to increase marginally, as higher carry-in stocks more than

offset the fall in production. World supply is forecast to increase marginally to 410,000 t. Canadian exports are expected to increase, due to higher demand, and carry-out stocks are forecast to decrease slightly, with a s/u ratio of 57%. The average price is forecast to be the same as in 2004-05, in line with the relatively stable supply.

SUNFLOWER SEED

For 2004-05, due to sharply lower production and supply, exports and domestic use are expected to decrease, and carry-out stocks are forecast to decrease to a low level. The average price is forecast to increase due to the lower supply.

For 2005-06, area seeded is expected to increase by 15%. Production and supply are forecast to increase due to higher area, lower abandonment and higher trend yields. US production is expected to increase significantly. World supply is expected to increase marginally to 26.9 Mt. Canadian exports and domestic use are forecast to increase because of the higher supply. Carry-out stocks are expected to increase, with a s/u of 7%. The average price, over both types and all grades, is forecast to decrease because of the higher supply in US and Canada.

BUCKWHEAT

For 2004-05, due to lower production and supply, exports and carry-out stocks are expected to decrease. The average price is forecast to be the same as in 2003-04, as pressure from higher world supply is offset by lower Canadian supply. For 2005-06, Canadian production and supply are forecast to increase, with a stable seed area, lower abandonment and higher trend yields. Exports are forecast to increase and carry-out stocks are expected to be very low. The average price is forecast to be the same as in 2004-05, as support from lower world supply is offset by higher Canadian supply.

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CANADA: PULSE AND SPECIAL CROPS SUPPLY AND DISPOSITION

March 14, 2005

Grain and Crop Year (a)	Area Seeded 000 ha	Harvested 000 ha	Yield t/ha	Production	Imports (b)	Total Supply	Exports (c)	Total Domestic Use (d)	Carry-out Stocks	Average Price (e) \$/t
----- thousand metric tonnes -----										
Dry Peas										
2001-2002	1,344	1,285	1.57	2,023	27	2,245	1,381	589	275	190
2002-2003	1,297	1,050	1.30	1,365	41	1,681	628	743	310	210
2003-2004	1,303	1,271	1.67	2,124	24	2,458	1,317	936	205	175
2004-2005f	1,388	1,345	2.48	3,338	20	3,563	2,000	1,063	500	115-145
2005-2006f	1,390	1,355	2.11	2,860	20	3,380	1,950	1,130	300	115-145
Lentils										
2001-2002	708	664	0.85	566	6	828	478	219	131	320
2002-2003	601	387	0.91	354	9	494	320	119	55	390
2003-2004	554	536	0.97	520	5	580	368	174	38	420
2004-2005f	778	750	1.28	961	6	1,005	570	305	130	300-330
2005-2006f	740	717	1.17	840	5	975	570	245	160	300-330
Dry Beans										
2001-2002	184	175	1.70	298	42	390	263	97	30	725
2002-2003	230	219	1.89	414	40	484	297	117	70	445
2003-2004	167	167	2.13	356	31	457	344	83	30	495
2004-2005f	163	126	1.75	220	35	285	205	70	10	650-680
2005-2006f	190	186	1.83	340	30	380	285	75	20	525-555
Chickpeas										
2001-2002	486	467	0.97	455	12	497	146	211	140	380
2002-2003	221	154	1.01	156	9	305	105	140	60	300
2003-2004	63	63	1.08	68	2	130	74	36	20	330
2004-2005f	47	39	1.31	51	5	76	35	36	5	355-385
2005-2006f	54	52	1.15	60	5	70	35	30	5	380-410
Mustard Seed										
2001-2002	166	158	0.66	105	3	213	171	n/a	33	685
2002-2003	289	255	0.60	154	9	196	114	22	60	595
2003-2004	340	328	0.69	226	2	288	121	75	92	390
2004-2005f	317	304	1.00	305	2	399	150	84	165	295-325
2005-2006f	237	230	0.80	185	2	352	160	77	115	320-350
Canary Seed										
2001-2002	170	163	0.70	114	0	184	134	20	30	660
2002-2003	287	227	0.78	176	0	206	164	22	20	575
2003-2004	251	243	0.93	226	0	246	170	n/a	67	345
2004-2005f	356	318	0.94	300	0	367	180	47	140	215-245
2005-2006f	249	242	0.95	230	0	370	185	50	135	215-245
Sunflower Seed										
2001-2002	73	67	1.55	104	29	179	92	65	22	355
2002-2003	100	95	1.65	157	21	200	105	60	35	440
2003-2004	119	115	1.30	150	16	201	96	80	25	405
2004-2005f	87	59	0.92	54	25	104	40	59	5	480-510
2005-2006f	100	95	1.47	140	15	160	80	70	10	405-435
Buckwheat										
2001-2002	16	14	1.14	16	1	17	6	8	3	325
2002-2003	12	12	1.00	12	1	16	6	7	3	340
2003-2004	9	9	1.11	10	1	14	5	7	2	355
2004-2005f	9	7	0.71	5	1	8	2	6	0	340-370
2005-2006f	9	9	1.00	9	1	10	4	6	0	340-370
Total Pulse And Special Crops (c)										
2001-2002	3,131	2,993	1.23	3,681	120	4,553	2,671	1,218	664	
2002-2003	3,025	2,399	1.16	2,788	130	3,582	1,739	1,230	613	
2003-2004	2,797	2,732	1.35	3,680	81	4,374	2,495	1,400	479	
2004-2005f	3,136	2,948	1.78	5,234	94	5,807	3,182	1,670	955	
2005-2006f	2,968	2,886	1.62	4,664	78	5,697	3,269	1,683	745	

(a) August-July crop year.

(b) Excludes products.

(c) Includes Pulse Crops (dry peas, lentils, dry beans, chick peas) and Special Crops (mustard seed, canary seed, sunflower seed, buckwheat)

(d) Includes food, feed, seed, waste and dockage.

(e) Producer price, FOB plant. Average over all types, grades and markets.

f: forecast, Agriculture and Agri-Food Canada, March 14, 2005

n/a Total domestic use is calculated residually. Based on current data on exports and carry-out stocks, it appears that Statistics Canada's production estimate may be low or carry-out stocks high resulting in a very low residual.

Source: Statistics Canada and industry consultations.



Bi-weekly Bulletin

April 1, 2005 Volume 18 Number 7



FEED GRAINS IN CANADA

Feed grain prices in Canada have decreased significantly from last year due to the record corn crop in the United States and high supplies of feed wheat and barley in western Canada. This issue of the Bi-Weekly Bulletin examines the situation and outlook for feed grain in Canada.

Feed grain for livestock in Canada consists of coarse grain (barley, corn, oats, rye, mixed grain) and feed wheat. The availability of feed quality wheat is largely dependent on weather and growing conditions. Soymeal and canola meal and feed peas are also significant components in livestock rations as a source of protein. The feed grain market is dominated by barley in western Canada and corn in eastern Canada. With the exception of drought years, western Canada generally produces a significant surplus of barley.

In western Canada, wheat and barley are the major feed grains. Wheat is produced primarily for the domestic and export food market but a significant proportion is also used for food. Although some barley is selected for the production of malt, about 85 percent of production is generally used in the feed market. In eastern Canada, corn is the dominant feed grain.

Feed grain prices in Canada have been negatively affected by several factors during 2004-05: (a) the record corn crop in the US, (b) the severe downgrading of the wheat and barley crops in western Canada and (c) the appreciation of the Canadian dollar.

Record Corn Crop in the US

In the US, corn has historically been grown specifically for livestock production, ensuring a consistent feed supply for US livestock. However, an ever increasing part of the crop is being diverted to the ethanol and fructose markets. Corn production in the US has been strongly supported by government support programs, which have caused area seeded to corn in

the US to steadily increase over time, and public and private research funding, which has caused corn yields to increase. In 2004-05, the US had a record corn crop of 11.8 billion bushels (bln bu) due to extremely good growing conditions which led to a 10 percent increase in the average US corn yield to 160 bu/ac, from 142 bu/ac in 2003-04. US exports are actually expected to decrease marginally from last year. Despite a significant increase in domestic feed use and higher food and industrial use, carry-out stocks for corn in the US are expected to more-than double from last year to about 2.1 bln bu. As a result, the average US farm price is forecast to fall to US\$2.05/bu from US\$2.42/bu for 2003-04.

Canadian Feed Supplies - Record Large in 2004-05

Supplies of feed grains increased sharply in Canada in 2004-05 due to the severe downgrading of the western wheat and barley crops. The cool growing season delayed crop development across most of the Prairies, and an early frost was received on August 20 across much of eastern Saskatchewan and western Manitoba. A frost on this date would normally have had limited impact on production or quality, since the majority of the barley and wheat crops would have been ripe. However, the delayed crop development meant that most crops were about a month behind normal, so that the impact was similar to having a frost at the end of July, which is unprecedented. With many wheat crops only in the soft dough stage at this date, the result was a significant downgrading to feed grade due to frozen green kernels and low

test weights. The impact was somewhat less dramatic for barley, due to the generally more advanced stage of development, but a less than normal proportion of the barley in the frost-affected region was suitable for malting. In other regions, the cool wet fall resulted in increased damage and downgrading due to sprouting and mildew.

In a normal year, only about 5-10% of the western wheat crop is of feed quality, equivalent to about 0.9 to 1.8 million tonnes (Mt). In 2004, 45% or more of the crop was downgraded to feed, equivalent to about 8.5 Mt. The impact on barley quality is more difficult to quantify, but the Canadian Wheat Board expects that only about 2.0 Mt will be selected for malting in 2004-05, compared to a normal 2.5 Mt. As total western barley production rose by 0.9 Mt in 2004-05, this implies additional feed barley supplies of 1.4 Mt. The total increase in feed quality wheat and barley compared to 2003-04 likely exceeds 8 Mt.

FEED GRAINS IN CANADA

Qualities desired in a feed grain:

The basic qualities desired are:

(a) energy, often expressed in kilocalories of metabolizable energy/kilogram. Energy, unlike protein content, can not be measured directly, but grains of high density (weight/volume) usually contain high energy levels. The main sources of energy are supplied in the form of carbohydrates (starch), fat, fibre and protein. Starch content is of interest to both the livestock feeder and the ethanol plant; (b) protein, more specifically amino acids, lysine,

methionine, cystine and tryptophan are of interest to feedmills but it causes problems in ethanol production. Protein, however, may make the distillers grain more marketable; (c) vitamins and minerals - phosphorus, calcium, vitamins, trace minerals and (d) fatty acids. From a cost of production perspective, high yields are also required.

Wheat

Wheat is normally used as a feed ingredient by the hog and poultry industries, which consume about 3 Mt annually. In most years, much of this is low-quality milling wheat, such as No.3 CWRS, Canada Prairie Spring Red or western red winter wheat, as supplies of feed quality wheat are insufficient to meet demand. Wheat downgraded to feed quality may often also be light weight, which is not desired by hog feeders in particular. This is therefore an additional concern in 2004-05, as much of the feed wheat is below the normal 60 pound per bushel test weight, and therefore not attractive to the hog feeder. Despite large supplies of feed wheat, these feeders may still have difficulty accessing wheat of the desired quality. Much of the lower weight wheat is expected to be consumed by the cattle industry, which will incorporate wheat into the ration if the price is attractive. However, this wheat will have to compete with increased supplies of feed barley, which is the traditional feed ingredient for the western feedlot industry. While it would be logical to expect that the surplus to domestic needs will be exported, the CWB PRO for feed wheat is even lower than the currently depressed domestic off-Board market. It is therefore anticipated that a significant proportion of the poorer quality feed wheat produced in 2004-05 will be carried into 2005-06, and continue to affect the Canadian feed industry during 2005-06.

Barley

Western Canada produces between 10-13 Mt tonnes of barley annually. In general about 15-20 percent of the barley produced is selected for malting purposes with the remainder used for feed. But today, US corn, CPS wheat and low quality CWRS wheat can compete with western barley. In addition the threat of Fusarium Head Blight has turned some Canadian

producers away from wheat and barley. This is of particular concern in eastern Manitoba, where strong feed demand from the hog industry has resulted in imports of wheat and barley from further west, and corn from the US. Most feed barley supply is based on malting barley varieties that failed to be selected for malting, rather than higher-yielding feed varieties.

For years, the standard for judging the quality of feed barley has largely been the bushel weight. Research has indicated that bushel weight is correlated to feed value, but not necessarily to feed energy. Feed barley of the same test weight can have a large variation in feed energy.

Fusarium Head Blight

The fungal strain Fusarium Graminearum produces mycotoxins such as Deoxynivalenol (DON) that can threaten the health of livestock. All non-ruminants and hogs in particular have an extremely low tolerance level to the mycotoxins. The prevalence of the disease in wheat and barley crops in Manitoba and to a lesser extent in Saskatchewan means that feed mills have had to source feed grains from regions farther away that have lower or no levels of infection. This has added to the cost of hog production over and above the cost of testing for the mycotoxins. Grain corn appears less susceptible to fusarium and therefore a much larger percent of the grain will be suitable for the feed industry.

Corn

Corn is one of the highest energy yielding cereals, largely due to its high starch content. It is mostly used as a valuable feed source for livestock, and increasingly for the production of ethanol. Cattle feeding performance on corn is about the same as on barley, so feed lot operators can easily substitute corn for use in their feed rations. Compared to barley as a feed ingredient, corn has about 8-9 percent more energy but slightly less protein.

About 65 percent of Canada's corn is grown in Ontario and 30 percent in Quebec. In western Canada, US corn imports increase when the landed price of US corn becomes competitive with domestic feed grains. Corn production in Manitoba has been increasing over the last ten years due to the introduction of new varieties that

require fewer heat units. New improved corn varieties better suited for production in western Canada, fusarium concerns with barley production and corn's relative substitutability in feed rations make it likely that corn will become an increasingly important feed source for Canada's growing hog industry.

Oats

Oats are primarily used in the food milling industry and the performance horse feed market, with the remainder used in the feed market. For horses, oat starch is more digestible than the starch in corn or barley. The main feed market for lower quality oats in Canada is cattle. The high fibre content of hulled oats decreases the nutrient value of oats which in turn can raise the costs and time required for animals to reach slaughter weight.

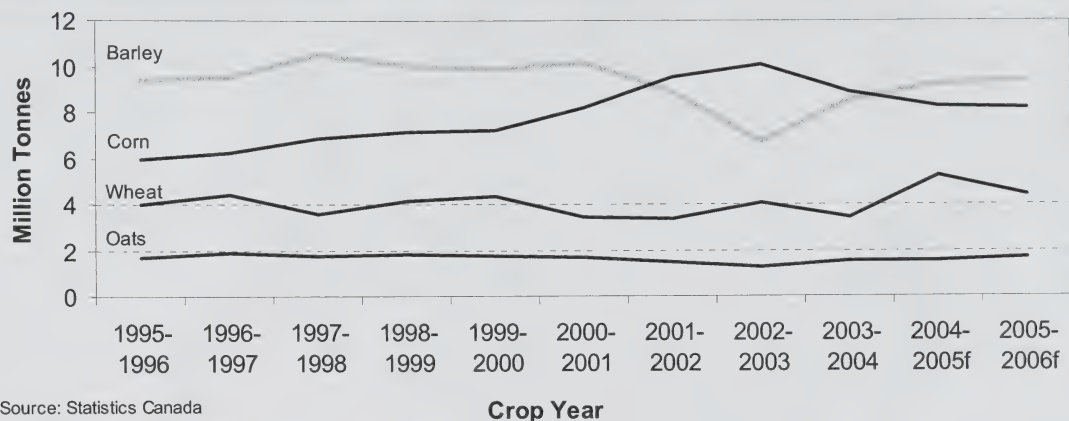
Rye

Rye has a feeding value of about 85 to 90 percent that of corn, and contains more digestible protein and total digestible nutrients than oat or barley. Rye is most satisfactorily used when mixed with other grains at a proportion less than a third, because it is not highly palatable and is sticky when chewed. Feed quality rye is normally priced at a discount to feed barley on a per tonne basis, and this discount can

Feed, Waste and Dockage as a percentage of Supplies	
2004-05	%
Corn	68
Barley	61
Oats	35
Rye	21
Wheat	16
Source: AAFC	

vary widely. Livestock and poultry feeders have been reluctant to use rye in their feed rations due to concerns over the presence of ergot alkaloids, the anti-nutritional effects of pentosans in rye and the reduced feed intake of animals consuming rye. Recent improvements in animal feed production technology, especially in the use of various enzymes to improve palatability, led to a substantial increase in the proportion of rye grain that can be included in mixed animal

CANADA: FEED, WASTE AND DOCKAGE FOR MAJOR GRAINS



feeds. Its high energy level and protein content combined with a large yield potential make fall rye a potential excellent choice as a feed crop.

DEMAND FOR FEED GRAIN

Feed demand in western Canada has been steadily increasing over the past few years. A dramatic increase in the size of the hog industry has contributed to this trend. As well, steady growth in cattle production has increased feed demand. In recent years this has been partly attributable to the closure of the US border to live cattle because of the BSE crisis. The livestock sector has benefited considerably from the abolition of the WGTA and the resulting interest in value-added activity.

Cattle

The cattle industry has grown by about 20 percent since 1995, to about 15.1 million head (Mhd) at the end of 2004. Generally, dairy and beef cattle consume about 50% of the feed grain in Canada. Cattle are ruminants, multi-stomach animals, which make use of bacteria to break down feed. For cattle, roughage can be substituted for feed grain. For health reasons some roughage is required in a cattle ration. As a result, relative prices of the various feed grains and roughage sources (various hays and straws) have a significant impact on the composition of the feed ration. Barley's high fibre content accounts for the popularity of barley in cattle

rations. Corn makes up much of the rest of the grain fed to cattle.

Hogs

Hogs are the second largest consumer of Canadian feed and feed grains, consuming 35 to 40 percent of the feed grain in Canada. Nutrition is very important to the hog industry, owing to the rapid growth and mono-gastric nature of hogs.

Corn, barley and wheat are all used for hog feed. In eastern Canada, corn is the primary feed grain. Both domestic and imported corn contribute to the eastern feed market. In western Canada, the market is slightly more complex with both imported corn and domestic wheat and barley going into the feed market.

Poultry

Poultry are another large consumer of feed. Supply management has led to a relatively stable poultry industry, growing with population over time. Chickens are the primary poultry product and consume the vast majority of feed, with turkeys consuming the bulk of the remainder.

Other

Other noteworthy consumers of feed are sheep, lambs and horses. Horses are primarily used for recreational purposes. The numbers are relatively steady, and they represent a small but premium portion of the overall feed market. Sheep and lambs are also a small portion of the feed market,

however this portion is growing. Both sheep and horses are sensitive to fusarium.

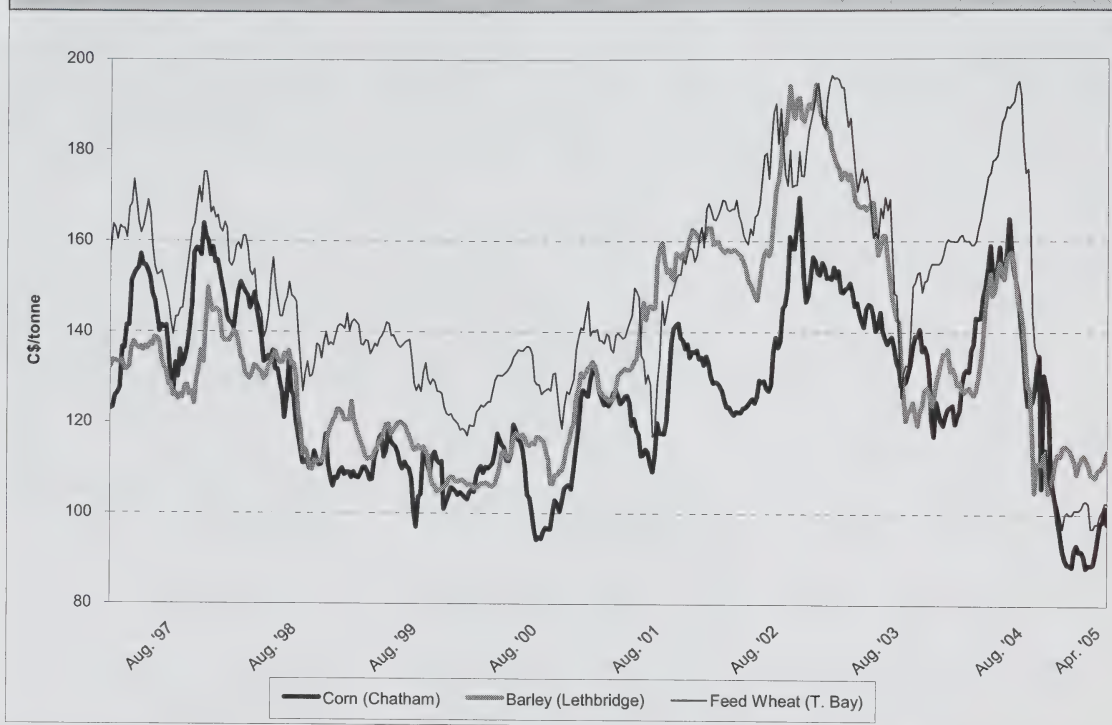
FEED GRAIN PRICES

The impact of the large feed supplies in western Canada has been a sharp decline in prices, particularly for feed wheat. Feed barley prices have remained surprisingly strong, given the large supplies, with the Winnipeg Commodity Exchange (WCE) Lethbridge cash price expected to average about \$110/t in 2004-05, about 20% lower than in 2003-04. While this is a significant decline, it is in fact better than US corn prices, which are forecast to fall by over 25% (in Canadian dollar terms). The WCE average feed wheat cash price at Thunder Bay, however, is expected to fall by almost 35%, to about \$110/t. The spread over Chicago corn is forecast to average only \$10/t, compared to the normal of about \$22/t. The average Chatham corn price is expected to decrease to \$100/t vs. \$137/t for 2003-04.

OUTLOOK 2005-06

Feed grain prices are expected to remain low. Prices will continue to be pressured by the significant increase in carry-in stocks of corn in the US. Although the USDA is currently forecasting lower corn yields for 2005-06, US corn supplies are forecast to increase slightly and will pressure US corn prices lower, unless US corn

CANADIAN FEED GRAIN PRICES



exports unexpectedly increase significantly.

In western Canada, as with feed wheat, carry-in stocks of feed barley are expected to rise sharply for 2005-06. This is attributable to high supplies in 2004-05, which exceeded domestic demand. The CWB PRO is at a discount to domestic returns, so that minimal exports are expected. These larger carry-in stocks may more than offset an expected decline in production. Therefore, supplies of feed barley may increase in 2005-06.

For 2005-06, the Canadian barley price is expected to remain near the 2004-05 level, with a lower projected US corn price offset by reduced feed supplies and strong feed demand in western Canada. Feed wheat prices will continue to be pressured for the

first part of the crop year due to large carry-in stocks, but assuming a return to normal crop quality in 2005-06, prices are expected to begin to strengthen partway through the crop year, and average about 15% higher than in 2004-05. The average Chatham corn price is expected to be the same as 2004-05 at \$100/t.

The value of the Canadian dollar is expected to be similar to 2004-05, remaining at an historically high value against the US dollar. This will continue to pressure Canadian feed grain prices relative to US corn prices.

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B. CASH PRICES AND REPLACEMENT VALUES

March 7, 2005

PRAIRIE GRAINS

Selected Points	Price Basis		This week 7-Mar-05	Last week 21-Feb-05	Month ago 7-Feb-05	Year ago 8-Mar-04
From: Thunder Bay(WCE) (2)	In-Store	Wheat	101.00	98.00	97.00	165.00
(CBOT)		Oat	154.20	159.50	161.75	155.25
(Lethbridge)		Barley	110.50	109.00	108.00	133.00
To: Bayport, ON (1)	In-store	Wheat	124.61	121.61	120.61	188.61
		Oat	N/A	N/A	N/A	N/A
		Barley	137.89	136.39	135.39	160.39
Montreal, QC (1)	In-store	Wheat	129.03	126.03	125.03	193.03
		Oat	N/A	N/A	N/A	N/A
		Barley	142.81	141.31	140.31	165.31
Moncton, NB	Truck via Halifax	Wheat	151.25	148.25	147.25	215.25
		Oat	N/A	N/A	N/A	N/A
		Barley	167.00	165.50	164.50	189.50
Truro, NS	Truck via Halifax	Wheat	145.22	142.22	141.22	209.22
		Oat	N/A	N/A	N/A	N/A
		Barley	164.50	163.00	162.00	187.00
Halifax, NS (1)	In-store	Wheat	136.28	133.28	132.28	200.28
		Oat	N/A	N/A	N/A	N/A
		Barley	150.80	149.30	148.30	173.30
Stephenville, NL	Track / Truck via Sydney	Wheat	199.63	196.63	195.63	263.63
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A
Melfort, SK		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Bayport, ON		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Montreal, QC		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Moncton, NB		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Truro, NS		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track / Truck via Sydney	Barley	N/A	N/A	N/A	N/A
Stephenville, NL		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A

Selected Points	Price Basis		This week 7-Mar-05	Last week 21-Feb-05	Last week 7-Feb-05	Year ago 8-Mar-04
Corn						
From: US Lake Port	On Board Vessel		102.39	102.39	95.94	157.94
To: Montreal, QC (1)	In-store		121.43	121.43	114.98	176.98
From: Chicago (IL)	Track		108.21	108.21	99.88	156.90
To: Montreal, QC	Track		137.07	137.07	128.74	185.76
From: Chatham, ON	Track		110.28	110.28	103.24	155.40
To: Montreal, QC	Track		134.15	134.15	127.11	179.27

Soymeal 48% Protein						
From: Hamilton, ON			272.27	272.27	242.29	393.60
To: Montreal, QC	Track		296.60	296.60	266.62	417.93
Moncton, NB	Track		315.35	315.35	285.37	436.68
Truro, NS	Track		318.57	318.57	288.59	439.90
Stephenville, NL	Track / Truck via Sydney		367.20	367.20	337.22	488.53

- Prices include ONE month of storage and interest charges
- Thunder Bay prices are based on the Winnipeg Commodities Exchange market close (Cash price)

Source: Market Analysis Division, Agriculture and Agri-Food Canada

Contact: Valérie Chartier: A/Statistical Clerk (204) 983-0581 Fax: (204) 983-5524 e-mail: chartier@agr.gc.ca

Footnotes: All prices quoted in Canadian dollars per metric tonne.

Grain grades (unless otherwise specified) are: Canada Western Feed Wheat, Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn.

Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec.

Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable

A. SELLING PRICE OF BULK FEED INGREDIENTS AT SELECTED POINTS																			March 7, 2005				
SELECTED POINT	REFERENCE PERIOD	PRICE BASIS	(1)	WHEAT	OATS	BARLEY	CORN	PRICE BASIS	SOYBEAN MEAL	CANOLA MEAL	MILL-FEEDS	MEAT MEAL	FISH MEAL	ANIMAL FAT	GLUTEN MEAL	GLUTEN FEED	FEED PEAS	DEHY ALFALFA	FEATHER MEAL				
Vancouver BC (4) (7)	March 7, 2005 February 28, 2005	FOB		125.00 125.00	N/A N/A	130.00 130.00	146.00 130.00		283.50 293.50	181.00 187.00	102.00 100.00		875.00 875.00	520.00 500.00						335.00 310.00			
Calgary AB (4)	March 7, 2005 February 28, 2005	FOB		105.00 105.00	N/A N/A	110.00 110.00	138.00 145.00		282.00 282.00			150.00 145.00	975.00 975.00	555.00 545.00						370.00 310.00			
Saskatoon SK (4)	March 7, 2005 February 28, 2005	FOB		82.50 77.50	140.00 145.00	88.00 85.50	135.00 135.00		286.50 286.00	N/A N/A		165.00 160.00	N/A N/A	545.00 545.00			117.00			360.00 360.00			
Winnipeg MB (4) (9)	March 7, 2005 February 28, 2005	FOB		126.50 125.00	140.00 140.00	108.50 107.00	120.00 120.00		265.00 264.50	N/A N/A		290.00 290.00	982.50 982.50	515.00 515.00			115.33			340.00 340.00			
Thunder Bay ON (8)	March 7, 2005 February 28, 2005	In-Store		100.50 100.25	N/A N/A	111.20 107.00																	
Lake Ports USA (3)	March 7, 2005 February 28, 2005	On Board Vessel					102.39 109.17																
Bay Ports ON	March 7, 2005 February 28, 2005	In-Store		130.00 130.00	205.00 205.00	138.00 138.00																	
Chatham ON	March 7, 2005 February 28, 2005	Track					110.28 108.16																
Toronto ON (5)	March 7, 2005 February 28, 2005	N/A						FOB															
Hamilton ON	March 7, 2005 February 28, 2005	N/A							272.27 271.83	#N/A #N/A		223.00 212.00	N/A N/A	420.00 420.00	425.00 425.00	114.00 114.00			272.00 267.00	290.00 290.00			
Eastern ON	March 7, 2005 February 28, 2005	FOB					110.50 111.00																
London ON	March 7, 2005 February 28, 2005	FOB																					
Port Colborne ON	March 7, 2005 February 28, 2005	FOB																					
Cardinal ON	March 7, 2005 February 28, 2005	FOB																					
Montreal QC (5)	March 7, 2005 February 28, 2005	In-Store		136.00 133.00	150.00 150.00	149.00 145.00	124.00 123.00		283.81 275.84	205.40 214.10	62.33 61.67	210.00 210.00	850.00 850.00	375.00 386.00	425.00 425.00	114.00 114.00			270.00 270.00	290.00 290.00			
Trois-Rivières QC	March 7, 2005 February 28, 2005	In-Store		129.10 136.10		152.40 150.00	134.64 134.44																
St. Jean QC (2)	March 7, 2005 February 28, 2005	FOB		147.13 142.04	124.41 121.92	144.27 142.63	116.23 116.87		277.57 280.00														
St. Hyacinthe QC	March 7, 2005 February 28, 2005	In-Store		134.70 131.37	N/A N/A	164.41 159.47	127.32 133.43		280.29 271.69	237.98 238.90													
Quebec QC	March 7, 2005 February 28, 2005	Track		159.50 159.50		162.34 162.34	167.74 166.05		318.30 297.20	213.67 213.67		273.05 267.55		505.00 505.00					290.00 290.00				
Truro NS	March 7, 2005 February 28, 2005	Water & Truck		N/A N/A	N/A N/A	N/A N/A																	
Truro NS	March 7, 2005 February 28, 2005	In-Store		N/A N/A	N/A N/A	N/A N/A	159.00 159.00		346.00 352.50		297.50 297.50		1,100.00 1,100.00	N/A N/A									
Halifax NS (6)	February 28, 2005			N/A	N/A	N/A	159.00																
Source: Market Analysis Division, Agriculture and Agri-Food Canada; Thunder Bay prices are based on the Winnipeg Commodity Exchange (WCE) market close																			US\$1.00=CAN\$1.2326, closing date March 4, 2005				
Contact: Valérie Chartier A/Statistical Clerk Telephone: (204) 983-0581 Fax: (204) 983-5524 Email: chartierv@agr.gc.ca																			N/A = not available				
Footnotes: All prices in Canadian dollars per metric tonne based on survey respondents.																							
Grain grades (unless otherwise specified) are: Western or Eastern Feed Wheat, Feed Oats, No.1 Canada Western or Eastern Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn.																							
Soybean Meal 48 % Protein. Canola Meal based on minimum standard of 35% Protein. Fish Meal: white fish and/or herring meal. Gluten Meal 60% Protein. Gluten Feed 21% Protein.																							
(1) Wheat 3CWRS (2) Canadian Corn #3 or #2 (3) US Corn (4) Fish Meal from West Coast 63% Protein (5) Fish Meal 60% Protein (6) Herring Fish Meal (7) Fraser Valley (8) Wheat & Barley (Basis - Cash Price WCE) (9) Oats 3CW																							

A. SELLING PRICE OF BULK FEED INGREDIENTS AT SELECTED POINTS

March 21, 2005

SELECTED POINT	REFERENCE PERIOD	PRICE BASIS	(1) WHEAT	OATS	BARLEY	CORN	PRICE BASIS	SOYBEAN MEAL	CANOLA MEAL	MILL-FEEDS	MEAT MEAL	FISH MEAL	ANIMAL FAT	GLUTEN MEAL	GLUTEN FEED	FEED PEAS	DEHY ALFALFA	FEATHER MEAL
Vancouver	March 21, 2005	FOB	127.00	N/A	132.00	145.00		286.50	181.00	98.00		875.00	520.00					
BC (4) (7)	March 14, 2005	FOB	127.00	N/A	132.00	145.00		286.50	181.00	98.00		875.00	520.00					335.00
Calgary	March 21, 2005	FOB	107.00	N/A	112.00	140.00		281.00			150.00	975.00	555.00					310.00
AB (4)	March 14, 2005	FOB	107.00	N/A	112.00	141.00		284.00			150.00	975.00	555.00					310.00
Saskatoon	March 21, 2005	FOB	82.50	140.00	88.00	134.00		285.50	N/A		165.00	N/A	555.00					360.00
SK (4)	March 14, 2005	FOB	82.50	140.00	88.00	135.00		288.50	N/A		165.00	N/A	555.00					360.00
Winnipeg	March 21, 2005	FOB	127.00	140.00	109.00	123.00		264.00	N/A		290.00	982.50	515.00			117.00		
MB (4) (9)	March 14, 2005	FOB	127.50	140.00	108.50	122.00		267.00	N/A		290.00	982.50	515.00					340.00
Thunder Bay	March 21, 2005	In-Store	105.00	N/A	111.65													
ON (8)	March 14, 2005		102.75	N/A	110.45													
Lake Ports	March 21, 2005	On Board				101.69												
USA (3)	March 14, 2005	Vessel				104.16												
Bay Ports	March 21, 2005	In-Store	130.00	205.00	138.00													
ON	March 14, 2005		130.00	205.00	138.00													
Chatham	March 21, 2005	Track				114.04												
ON	March 14, 2005					114.04												
Toronto	March 21, 2005	N/A																
ON (5)	March 14, 2005																	
Hamilton	March 21, 2005	N/A																
ON	March 14, 2005																	
Eastern	March 21, 2005	FOB				111.50		270.17	#N/A		240.00	N/A	430.00	114.00			272.00	300.00
ON	March 14, 2005					107.00		276.79	#N/A		234.00	N/A	420.00	114.00			272.00	290.00
London	March 21, 2005	FOB																
ON	March 14, 2005																	
Port Colborne	March 21, 2005	FOB																
ON	March 14, 2005																	
Cardinal	March 21, 2005	FOB																
ON	March 14, 2005																	
Montreal	March 21, 2005		136.00	150.00	146.00	125.00		288.66	199.23	70.00	220.00	850.00	375.00	425.00	114.00		270.00	290.00
QC (5)	March 14, 2005		136.00	150.00	146.00	125.00	FOB	295.47	222.58	65.00	220.00	850.00	375.00	425.00	114.00		270.00	290.00
Trois-Rivières	March 21, 2005	In-Store	139.00		151.40	133.75												
QC	March 14, 2005		137.00		151.40	135.72												
St. Jean QC (2)	March 21, 2005	FOB	146.28	122.66	146.13	114.06		286.64										
St. Hyacinthe QC	March 14, 2005		145.22	123.67	143.24	117.25		294.62										
Quebec	March 21, 2005	In-Store	136.67	N/A	161.56	132.98		284.48	214.75									
QC	March 14, 2005		136.00	N/A	161.64	128.80		292.52	242.70									
Truro	March 21, 2005	Track	161.43		167.30	171.90		326.69	256.77		290.05		505.00					290.00
NS	March 14, 2005		160.33		166.15	169.87	FOB	312.52	235.93		288.55		505.00					290.00
Truro	March 21, 2005	Water	N/A	N/A	N/A	N/A												
NS	March 14, 2005	& Truck	N/A	N/A	N/A	N/A												
Halifax	March 21, 2005	In-Store	N/A	N/A	N/A	159.00		338.00		297.50		1,100.00	N/A					
NS (6)	March 14, 2005		N/A	N/A	N/A	159.00		356.15		297.50		1,100.00	N/A					

Source: Market Analysis Division, Agriculture and Agri-Food Canada; Thunder Bay prices are based on the Winnipeg Commodity Exchange (WCE) market close
 Contact: Valérie Charlier A/Statistical Clerk Telephone: (204) 983-4581 Fax: (204) 983-5524 Email: charlierv@agr.gc.ca
 US\$1.00=CAN\$1.2028, closing date March 18, 2005
 N/A = not available

Footnotes: All prices in Canadian dollars per metric tonne based on survey respondents.

Grain grades (unless otherwise specified) are: Western or Eastern Feed Wheat, Feed Oats, No.1 Canada Western or Eastern Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn, Soybean Meal 48 % Protein. Canola Meal based on minimum standard of 35% Protein. Fish Meal: white fish and/or herring meal. Gluten Meal 60% Protein. Gluten Feed 21% Protein.

(1) Wheat 3CWRS (2) Canadian Corn #3 or #2 (3) US Corn (4) Fish Meal from West Coast 63% Protein (5) Fish Meal 60% Protein (6) Herring Fish Meal (7) Fraser Valley (8) Wheat & Barley (Basis - Cash Price WCE) (9) Oats 3CW

B. CASH PRICES AND REPLACEMENT VALUES

March 21, 2005

PRAIRIE GRAINS

Selected Points	Price Basis		This week 21-Mar-05	Last week 7-Mar-05	Month ago 21-Feb-05	Year ago 22-Mar-04
From: Thunder Bay(WCE) (2)	In-Store	Wheat	103.00	101.00	98.00	170.00
(CBOT)		Oat	154.25	154.20	159.50	172.00
(Lethbridge)		Barley	110.80	110.50	109.00	142.00
To: Bayport, ON (1)	In-store	Wheat	126.61	124.61	121.61	193.61
		Oat	N/A	N/A	N/A	N/A
		Barley	138.19	137.89	136.39	169.39
Montreal, QC (1)	In-store	Wheat	131.03	129.03	126.03	198.03
		Oat	N/A	N/A	N/A	N/A
		Barley	143.11	142.81	141.31	174.31
Moncton, NB	Truck via Halifax	Wheat	153.25	151.25	148.25	220.25
		Oat	N/A	N/A	N/A	N/A
		Barley	167.30	167.00	165.50	198.50
Truro, NS	Truck via Halifax	Wheat	147.22	145.22	142.22	214.22
		Oat	N/A	N/A	N/A	N/A
		Barley	164.80	164.50	163.00	196.00
Halifax, NS (1)	In-store	Wheat	138.28	136.28	133.28	205.28
		Oat	N/A	N/A	N/A	N/A
		Barley	151.10	150.80	149.30	182.30
Stephenville, NL	Track / Truck via Sydney	Wheat	201.63	199.63	196.63	268.63
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A
Melfort, SK		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Bayport, ON		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Montreal, QC		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Moncton, NB		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Truro, NS		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track / Truck via Sydney	Barley	N/A	N/A	N/A	N/A
Stephenville, NL		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A

Selected Points	Price Basis		This week 21-Mar-05	Last week 7-Mar-05	Last week 21-Feb-05	Year ago 22-Mar-04
Corn						
From: US Lake Port	On Board Vessel		101.69	101.79	102.39	166.10
To: Montreal, QC (1)	In-store		120.73	120.83	121.43	185.14
From: Chicago (IL)	Track		107.37	107.48	108.21	167.15
To: Montreal, QC	Track		136.23	136.34	137.07	196.01
From: Chatham, ON	Track		114.04	112.57	110.28	163.18
To: Montreal, QC	Track		137.91	136.44	134.15	187.05

Soymeal 48% Protein						
From: Hamilton, ON			270.17	270.17	272.27	432.20
To: Montreal, QC	Track		294.50	294.50	296.60	456.53
Moncton, NB	Track		313.25	313.25	315.35	475.28
Truro, NS	Track		316.47	316.47	318.57	478.50
Stephenville, NL	Track / Truck via Sydney		365.10	365.10	367.20	527.13

1. Prices include ONE month of storage and interest charges
n/a = not available
2. Thunder Bay prices are based on the Winnipeg Commodities Exchange market close (Cash price)

Source: Market Analysis Division, Agriculture and Agri-Food Canada

Contact: Valérie Chartier: A/Statistical Clerk (204) 983-0581 Fax: (204) 983-5524 e-mail: chartierv@agr.gc.ca

Footnotes: All prices quoted in Canadian dollars per metric tonne.

Grain grades (unless otherwise specified) are: Canada Western Feed Wheat, Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn.

Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec.

Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable



Bi-weekly Bulletin

April 29, 2005 Volume 18 Number 8



SOYBEANS: SITUATION AND OUTLOOK

Soybean prices have decreased sharply during 2004-05 under pressure from record large production in the US combined with an expected record large output in South America. The consumption of soybeans is also growing, although at a slower pace, as rising world incomes increase the demand for soybean meal and soybean oil. World carry-out stocks are forecast to rise sharply. For 2005-06, world soybean prices are expected to remain depressed and slow down the expansion of soybean area in Brazil. Canadian output is projected to drop slightly as a decline in yields more than offsets a slight rise in harvested area. Over the medium term, the world soybean sector is projected to grow as the processing industry expands in emerging-economy countries.

SITUATION

Soybeans make up about 70% of the world's output of the 7 major oilseeds (soybeans, cottonseed, peanut, sunflowerseed, canola/rapeseed, copra and palm kernel). The importance of soybeans in the oilseeds sector continues to grow with output expanding by one-quarter or 55 million tonnes (Mt) since 2000-01. Most of this growth in output has been due to the expansion of seeded area in South America, primarily Brazil, which continues to develop its interior regions. The area seeded to soybeans expanded sharply in Argentina also. By contrast, seeded area in the United States (US) has remained stable. The growth in output in the US has been due to increased yields from active breeding programs which resulted in the release of improved varieties.

For 2004-05, world soybean production is expected to set a record of about 219 Mt, supporting a sharp rise in world soybean supplies.

The global soybean crush is projected to rise by 6% due to increased processing in China, Brazil, the US and Argentina. The growth in global processing is being supported by higher soyoil and soy meal consumption, particularly in China, as part of the worldwide trend towards greater urbanization, higher disposable incomes and increased consumption of animal and vegetable protein.

The consumption of edible soybeans in human diets is also projected to rise. As part of the industrialization process and the growing sophistication of the global food supply chain, the processing of food-grade soybeans into edible products has been expanding, particularly in Asia. Some of these products, for example soy sauce, are

then exported to the European Union (EU). Soybeans grown in North America may be shipped to Guangdong province, north of Hong Kong, processed and re-exported to Europe or North America.

The crushing of soybeans is diversifying away from its historical base in the US and the EU into South America and Asia. This trend has been supported by financial incentives, differential tariffs and favourable regulations as part of developing countries' initiatives to increase domestic employment and economic growth. Over the past few years, this move has been supported by low interest rates and the strong US dollar. Rising ocean freight rates, the devaluation of the American dollar and a possible rise in interest rates in 2005 and beyond, which all increase costs, is expected to slow down the expansion of soybean crush plants in Asia and South America.

As a result of the sharp rise in supply

compared to usage, carry-out stocks of soybeans are expected to be burdensome for 2004-05.

Record US Crop Burdens the World Oilseed Sector.

The United States produced a record large soybean crop in 2004-05 on support from a

Soybeans: Supply & Disposition			
	2003-04	2004-05e	2005-06f
	..... million tonnes		
World (October-September)			
Carry-In Stocks	40.75	37.41	52.59
Production	188.81	219.23	225.02
Total Supply	229.56	256.64	277.61
Crush	164.34	174.29	175.00
Other	27.81	29.25	30.61
Total Usage	192.15	204.05	207.61
Carry-Out Stocks	37.41	52.59	65.00
Trade	55.59	62.49	64.00
United States (September-August)			
Carry-In Stocks	4.85	3.06	10.21
Production	66.78	85.48	80.28
Imports	0.15	0.14	0.08
Total Supply	71.78	88.68	90.57
Crush	41.63	44.91	46.13
Other	3.00	4.17	4.03
Total Domestic Usage	44.63	49.08	50.16
Exports	24.09	29.39	28.85
Carry-Out Stocks	3.06	10.21	11.56
Canada (September-August)			
Carry-In Stocks	0.14	0.14	0.53
Production	2.27	3.05	2.99
Imports	0.59	0.40	0.25
Total Supply	3.00	3.59	3.77
Crushing	1.50	1.45	1.75
Other	0.45	0.61	0.62
Total Domestic Use	1.95	2.06	2.37
Exports	0.91	1.00	1.00
Carry-out Stocks	0.14	0.53	0.40
e: USDA and AAFC April 2005 estimates f: USDA and AAFC April 2005 forecasts Source: USDA Statistics Canada, AAFC			

e: USDA and AAFC April 2005 estimates

f: USDA and AAFC April 2005 forecasts

Source: USDA, Statistics Canada, AAFC

1.5 million acre increase in harvested area and a record high yield of 42.5 bushels per acre. Record yields were set as a result of the cooler than normal weather during the critical pod setting period in August which reduced floral abortion, followed by the warmest weather in 100 years during September which aided in pod filling allowing plants to express their genetic potential and bringing plants to maturity. As a result, US soybean output increased by 28% from the drought reduced crop of 2003-04.

Demand for US soybeans appears to be relatively stable as crush and exports rebound to pre-2003-04 levels. Domestic crush of soybeans is expected to reach about 45 Mt on growing demand for soybean meal. US exports are expected to rebound from 2003-04 but remain around the 28 Mt recorded in 2001-02 and 2002-03. Carry-out stocks are expected to be extremely burdensome for 2004-05, tripling from the tight levels of 2003-04, and double the 2000-01 level when the benchmark US farmgate price fell to US\$4.50 a bushel.

Brazil Plagued by Drought and Disease
Brazilian soybean production is forecast at a record 54 Mt, 4% above 2003-04, as the result of hot and dry growing conditions combined with an outbreak of Asian rust. Despite the decline in output from previous forecasts, supplies are expected to remain burdensome because of the large carry-in stocks.

Demand for Brazilian soybeans is expected to increase moderately in 2004-05. Domestic processing of soybeans is expected to grow slightly, to about 31 Mt, largely on an expected 1.0 Mt increase in soybean exports, to about 16 Mt. Exports of

soybean are projected to remain stable at about 2.7 Mt. Exports of soybeans are expected to grow modestly, to about 21 Mt, as pressure from higher ocean freight rates and the decline in the value of the US dollar, against the real, more than offsets support by higher supplies. Carry-out stocks are expected to rise to a record 18 Mt, vs 17 Mt for 2003-04 and the five year average of 15 Mt.

Argentina Output Rises

Argentina is the world's third largest producer of soybeans, accounting for almost one-fifth of world production and it is the world's largest exporter of soybean meal and soyoil. Soybean production has increased steadily over the past five years due to increase in seeded area because of the devaluation of the peso, domestic economic reforms and transformation of the agricultural industry. For 2004-05, Argentine soybean production is projected at 39 Mt, up 6.0 Mt from the previous year. Exports of soybeans are expected to be about 7.5 Mt, similar to the five year average. Domestic processing of soybeans is expected to rise slightly, up by less than 1 Mt to about 26 Mt. This is a slowdown from the rapid pace of growth in the early 2000's when Argentine crushing grew by up to 20% a year. Similar to the US and Brazil, carry-out stocks are expected to rise to a burdensome 17 Mt, about 30% of the world carry-out, versus 13 Mt in 2003-04 and the five year average of around 10 Mt.

China is world's largest importer

Since 2000-01, China has emerged as a major driver in the world soybean market. For 2004-05, Chinese imports of about 23

Canadian Soybean Exports by Country of Destination				
	2002-03	2003-04	2004-05e	2005-06f
.....thousand tonnes.....				
Japan	140.5	253.3	250.0	250.0
Iran	60.8	62.0	200.0	200.0
France	33.9	19.4	125.0	125.0
Netherlands	34.2	138.4	120.0	120.0
Malaysia	119.8	96.8	100.0	100.0
Belgium	37.2	91.1	50.0	50.0
Finland	24.2	0.0	35.0	35.0
Egypt	0.0	0.0	20.0	20.0
Spain	40.1	10.1	15.0	15.0
Other	232.5	242.5	85.0	85.0
Total	723.2	913.6	1,000.0	1,000.0

e.f. forecast, Agriculture and Agri-Food, April 2005
Source: Statistics Canada

Mt are expected to make up one-third of the world trade in soybeans. China is also the world's fourth largest soybean producer with output projected at 18 Mt. Chinese crush of soybeans has expanded by over 50% since 2000-01, to about 29 Mt forecast for 2004-05.

Some of the apparent growth in crush is due to the switch from small-scale processing, where the collection of official census data was uneven, to large scale operations where the data is easy to collect. Soybean crush capacity has expanded significantly in China over the past few years, largely in the coastal regions, through joint ventures between local companies and multi-national corporations.

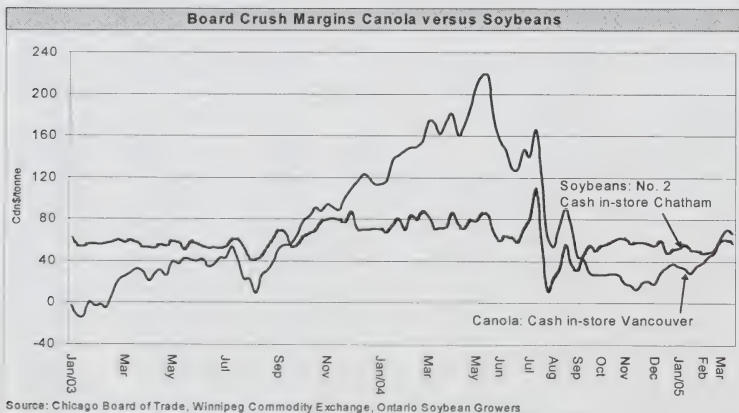
Edible soybeans account for about 40% of the soybeans consumed annually in China. China is a major producer and consumer of soy-sauce, tofu and soy-milk. Many of these edible products are made from soybeans with specialized characteristics generally either high protein or high-sugars. The size of the Chinese edible food market is expected to continue growing, making up a large, potentially underserved, segment for edible soybeans.

European Union: imports hold steady

Historically, the EU has been a major importer of soybeans. As a result of short supplies of protein meal, the EU imports between 14 Mt to 19 Mt of soybeans annually for processing. All of the soybean meal is consumed within the EU while about one quarter of the soybean is exported. With the soybean crush remaining relatively stable, the EU's position as a soybean exporter has declined in relative importance.

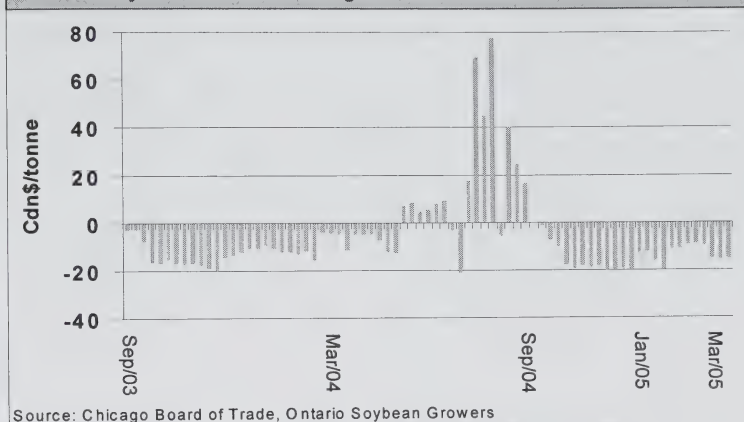
Canada: record production due to good growing conditions in Eastern Canada

In Canada, soybean production is concentrated in the provinces of Ontario and Quebec, although within the past few years soybean production has expanded in Manitoba. During 2004-05, the area seeded to soybeans in Canada increased by 17% to about 1.23 mln ha. However, higher than



For 2004-05, the soybean crush margin is trending between \$40 to \$60 a tonne as the drop in soybean meal and soyoil prices was matched by lower soybean prices. The soybean crush pace is forecast to remain strong for the rest of 2004-05 and into 2005-06.

Soybean Basis Chicago Cash In Store - Chatham



For 2004-05, the basis between Chicago-cash and Chatham soybeans is trending between minus \$10 to minus \$20 a tonne. The basis had flipped late in 2003-04 when the tight domestic supplies sent Ontario prices soaring. For 2005-06, the basis is forecast to average C\$10 to \$20 a tonne under the Chicago cash due to burdensome supplies.

normal abandonment, due to cold and wet growing conditions, resulted in harvested area rising by only 13% to 1.18 mln ha. Most of the loss occurred in Manitoba where almost one-half of the soybeans were abandoned. Growing conditions were near ideal in Ontario and Quebec where both provinces experienced the highest yields since 1999-00.

For 2004-05, a record 3.05 Mt of soybeans were produced, a 33% rise in output compared to 2003-04. By province, 2.48 Mt of soybeans were produced in Ontario, 0.54 Mt in Quebec and only 45,000 tonnes in Manitoba.

Demand for Canadian soybeans is expected to remain strong for 2004-05, despite competition from burdensome US and South American supplies. Domestic crush of soybeans is expected to decline but record exports are expected. Exports of Canadian soybeans have increased sharply to Iran and France, more than offsetting a decline in shipments to Belgium and Germany. Carry-out stocks are forecast to rise sharply.

Soybean prices drop sharply

For 2004-05, the average US farmgate price for soybeans is expected to drop to US\$5.40/bu from US\$7.34/bu a bushel in 2003-04. In Canada, soybean prices in-store Chatham are forecast to average C\$245/t down from C\$395/t in 2003-04. The relatively larger price drop in Canada is

largely due to the devaluation of the US dollar against the Canadian dollar from C\$1=US\$0.75 on March 31 2004, to trading around the C\$1=US\$0.81-0.83 cents in March of 2005. If the Canadian currency had remained stable, the expected price for Canadian soybeans would have been C\$245-285 a tonne for 2004-05.

OUTLOOK: 2005-06

The area seeded to soybeans is expected to remain stable for 2005-06 as a forecasted drop in the soybean area in the US offsets a projected small increase in the seeded area in Brazil. World soybean output is forecast to rise, as an increase in Brazilian production offsets a sharp drop in US output resulting from lower yields.

World soybean supplies are forecast to rise as the sharp rise in carry-in stocks supports the increase in output.

World crush of soybeans is forecast to rise slowly as pressured crush margins slow down the growth in crush capacity in developing countries. Other or edible consumption of soybeans is expected to grow due to increased consumption in a wide number of countries. Carry-out stocks are expected to rise sharply as the growth in supplies overwhelms the relatively slower growth in consumption. For carry-out stocks to remain at 2004-05 levels, the world soybean crush would have to rise by about 13 Mt and edible soybean consumption would have to increase by about 3.0 Mt.

US production to decline

For 2005-06, the area seeded to soybeans in the US is forecast to fall by 1.3 million acres to 73.9 million acres, with harvested area forecast to 72.6 million acres. Assuming normal growing conditions, yields are expected to decline to trend levels of 40.6 bushels per acre compared to the record yields set in 2004-05.

Production is forecast to fall to 2.95 billion bushels for 2004-05, a drop of 190 million bushels from the previous year. Supplies are projected to rise slightly to 3.36 billion bushels as the sharp rise in carry-in stocks offsets the decline in output. Demand for US soybeans is forecast to grow slowly during 2005-06 with exports and crush forecast to rise by 50 and 40 million bushels, respectively.

Carry-out stocks are projected to rise to 425 million bushels and the average US farmgate soybean price is forecast to fall by US\$0.90 a bushel to US\$4.50 a bushel. Factors to watch include the impact of the Asian rust fungus, which can overwinter on the kudzu plant which is common across the southern US, the value of the US dollar and ocean freight rates.

Brazil

For 2005-06, the area seeded to soybeans is expected to rise marginally as the pace of expansion slows down under pressure from lower prices, higher fertilizer costs and higher ocean freight rates. Total soybean production is forecast to rise to about 66 Mt, assuming normal growing conditions and minimal impact from Asian Rust. Total supplies are forecast to rise to a record 87 Mt due to sharply higher carry-in stocks. Soybean exports are forecast to rise to 26 Mt while domestic crush rises to about 32 Mt. Carry-out stocks are projected to remain burdensome.

Argentina

The area seeded to soybeans is forecast to remain stable in 2005-06 under pressure from lower prices, implying a production of 38 Mt. Supplies are projected to rise to 55 Mt on support from sharply higher carry-in stocks. Soybean exports are forecast to rise to 9 Mt while the domestic crush rises slightly to 27 Mt. Carry-out stocks are forecast to rise to a record 19 Mt.

Chinese imports to rise

Soybean area is forecast to decline marginally for 2005-06 because of limited land area and domestic support for competing crops. Assuming trend yields, soybean production is forecast to decline slightly. Soybean imports are projected to rise to about 25 Mt for 2005-06.

Record supplies in Canada

The area seeded to soybeans is forecast to decrease marginally. Production is forecast to fall marginally as the return to trend yields more than offsets a rise in harvested area. Record large soybean supplies are forecast as large carry-in stocks more than offset the expected drop in output. Total domestic usage is forecast to rise to a record high of around 2.4 Mt for 2005-06 because of higher crushing volumes. Exports are projected to remain at 1.0 Mt, on support from shipments of identity preserved, edible soybeans into the human food market.

Carry-out stocks are forecast to remain burdensome.

The average price for Canadian soybeans, in-store Chatham, is forecast to decline to a range of C\$200-240 a tonne under pressure from lower US prices.

Soybean market expands over the medium term.

By 2014-15, world soybean production is forecast to rise by 18% to 273 Mt with Brazil expected to overtake the US as the world's largest producer by 2010-11, according to the US based Food and Agricultural Policy Research Institute. By 2014-15, Brazil is expected to produce 35% of the world's soybeans while the US produces 30%. World soybean production is expected to become more concentrated with the US, Brazil and Argentina accounting for 85 % of the total world output.

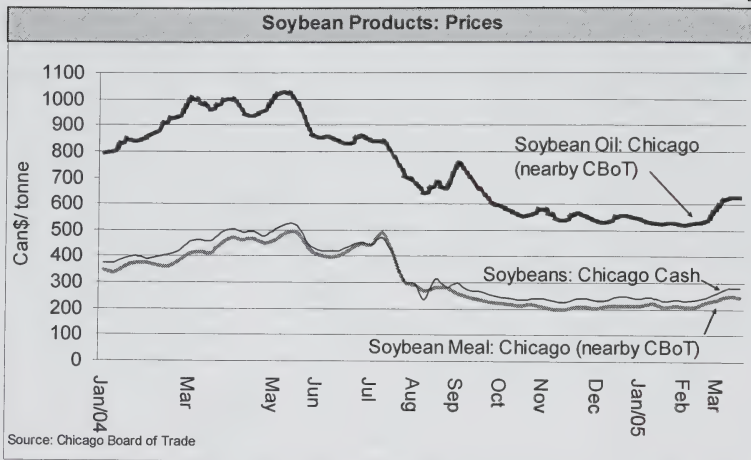
Growth in world soybeans usage is driven by **Chinese** demand as that country overtakes the US as the world's largest consumer by 2012-13. By 2014-15, China is expected to consume 22%, of the world's soybeans versus 18% currently. Consumption is expected to grow in Brazil and Argentina but the importance of the EU-25 is expected to decline because of its stable meal demand and high crushing cost. The utilization of soybeans by the rest of the world is forecast to remain stable at 10% of total world consumption.

By 2006-07, **Brazil** is expected to surpass the US as the world's largest soybean exporter and is expected to account for one-half of the world shipments by 2014-15. Further expansion of frontier lands, conversion of pastures, improved yields and an improved transportation infrastructure is projected to support the soybean industry, which is projected to reach 95 Mt by 2014. Exports are expected to grow to 45 Mt by 2014-15, as the expansion of the crushing industry fails to keep pace with rising output. Crush capacity is projected to rise to about 50 Mt over the next ten years.

In **Argentina**, soybean area is forecast to rise by 29% over the medium term which combined with yield improvements is expected to result in a 36% rise in output. The domestic processing sector is expected to grow at the same pace, with most of the soy-products destined for export.

US market share is projected to decline from 44% currently to 28% by 2014-15. The area seeded to soybeans is projected to remain stable, while production rises slightly due to increasing yields. Domestic crush is projected to rise at about the same rate as production. Exports are projected to remain stable at 25 Mt

By 2014-15, **Chinese** import demand is forecast to grow and account for almost one-half of the world's imports of soybeans.



At the same time, Chinese soybean area is projected to decline by 8% with improved yields supporting a marginal rise in output. Driven by strong oil demand, soybean crush is projected to grow by about 6% annually over the medium term, reaching 48 Mt, while food use rises to slightly under 5 Mt annually.

Canadian soybean production is projected to rise to slightly over 3.0 Mt because of a stable seeded area and higher yields following the expected release of improved varieties. Canada is expected to remain competitive due to rising demand for soybeans in the crush, edible-food and biodiesel markets.

A number of organizations are coordinating efforts on market development for Canadian soybeans. The Canadian Soybean Export Association is a volunteer association of members of the Canadian soybean industry working to promote the export of soybeans and products into world markets. In the future, more of this work maybe assumed by the Canadian International Grains Institute. This work is further supported through breeding and agronomy efforts to develop premium, food-grade, identity-preserved, soybeans to meet specific consumer needs. Soyfoods Canada is focused on expanding growth in domestic soybean consumption for products such as soy-milk. The BioDiesel Association of Canada is investigating increased use of biodiesel in mass transit, marine and environmentally sensitive areas such as mines. The Vegetable Oil Industry Coalition is playing a major role in reducing interprovincial trade barriers as well as Trans-Fat issues.

Over the medium term, the factors to watch in the soybean market are: (1) the 2007 US farm bill, with early reports indicating a scaling back in support payments and possibly replacing the marketing loan rates with countercyclical payments, (2) the impact of Asian rust on US and South American soybean production, (3) the trans-

fat issue, which may lead to reduced usage of hydrogenated oil, (4) the rate of expansion in South American soybean area, (5) the growth in Chinese import demand as the result of rising vegetable oil and meat consumption and (6) rising fuel prices and freight rates which increase the transport cost of soybeans and reduce South America's competitiveness into the Asian market.

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CANADA: GRAINS AND OILSEEDS OUTLOOK

April 25, 2005

Statistics Canada's survey of seeding intentions for 2005 indicates that Canadian farmers plan to increase their areas of durum wheat, flaxseed, oats and summerfallow, leave their areas of barley, soybeans relatively unchanged, while seeding less non-durum wheat, rye, corn and canola. Agriculture and Agri-Food Canada (AAFC) forecasts that total production of grains and oilseeds in Canada will decline by 5%, to 61 million tonnes (Mt), just above the 10-year average of 59 Mt. In western Canada, production is forecast to decrease by 5%, to 46 Mt. The decline is due to reduced seeded area and expectations of lower yields compared to the above-normal levels achieved for most crops in 2004. Normal abandonment, trend yields and normal crop quality have been assumed for both western and eastern Canada. Soil moisture reserves are generally good in western Canada. Total exports of grains and oilseeds are forecast to increase by 8% due to increased supplies and better quality. Canadian prices for all grains and oilseeds will remain pressured by lower world prices and the relatively strong Canadian dollar. Factors to watch are: Chinese import demand, South American growing conditions, EU grain export subsidy levels, the US winter wheat condition, ocean freight rates and the Canada/US exchange rate.

WHEAT (ex-durum)

For 2005-06, production is forecast to fall by 10%, with a smaller seeded area and lower yields partly offset by reduced abandonment. Carry-in stocks are expected to rise by almost 20%, however, due to the low quality of the 2004-05 crop, and will be largely of low quality wheat so that supply falls by only 5%. Exports are forecast to increase by 0.6 Mt due to increased supplies of high quality wheat. Wheat feeding is expected to be at an historically high level, due to the large carry-in stocks of feed wheat. Carry-out stocks are expected to fall by more than 15%. The CWB Pool Return Outlook (PRO) for high quality wheat is lower than 2004-05, due to expected higher supplies, with returns for lower quality wheat expected to be relatively unchanged.

DURUM

Production is forecast to decline slightly, with a return to lower trend yields more than offsetting the larger area, but high carry-in stocks will result in over 10% greater supplies. The increased stocks are due to the reduced supplies of top-quality durum and weak export demand as a result of large crops in North Africa and the EU in 2004-05. Exports are expected to increase by 16% due to increased supplies of good quality durum and reduced production in the EU. Carry-out stocks are projected to increase to a record 3.0 Mt. The CWB PRO for 2005-06 is down, largely due to increased supplies in North America.

BARLEY

Production is forecast to decline by about 0.5 Mt, but supply is expected to rise due to higher carry-in stocks which resulted from the large production of low-quality barley in 2004-05. Exports are expected to increase by nearly 20% as the supply

of malting quality barley increases.

Carry-out stocks are expected to remain high historically and the off-Board feed barley price is forecast to be similar to 2004-05. Malting barley prices will be pressured by higher world production, with the CWB PRO for Special Select 2-row malting barley down by \$7/t from 2004-05 at \$173/t.

OATS

Production is forecast to rise by 18% due to increased seeded area and reduced abandonment. Carry-in stocks are forecast to be higher, due to reduced exports in 2004-05 related to the poor quality of the crop. As a result, total supply is expected to rise by 22%. Exports are forecast to rise by 0.3 Mt due to increased supplies, improved crop quality and stronger US demand. Carry-out stocks are expected to reach the highest level since 1978-79. Therefore, oat prices are forecast to decline, with a smaller premium for milling oats.

CORN

Production is expected to decrease slightly due to lower yields, although harvested area is expected to rise due to lower abandonment. Imports are forecast to increase, following lower corn production in eastern Canada and lower feed wheat and barley production in western Canada. Food and industrial use is forecast to rise marginally due to increased ethanol production. Prices are expected to remain pressured by low US prices and the strong Canadian dollar.

CANOLA

Production is forecast to decrease by about 1.0 Mt to 6.7 Mt because of lower seeded area and yields. Carry-in stocks are expected to rise sharply, to 1.4 Mt, the 2nd highest on record, as domestic crush and exports for 2004-05 remain pressured by sharply higher world oilseed supplies. Supplies are

expected to remain historically high. Exports are forecast to remain stable while domestic crush declines slightly. Carry-out stocks are projected to drop but remain burdensome. Prices are projected to decline marginally due to lower world soybean and soyoil prices.

FLAXSEED (excluding solin)

Production is expected to nearly double, to the highest level since 1998-99, because of the sharp rise in seeded area and yields. The rise in supplies is expected to be moderated by the tight carry-in stocks, as exports to the EU in 2004-05 remain strong despite sharply higher prices. Exports and total domestic use are forecast to rise. Carry-out stocks are forecast to triple to near-record levels pressuring prices to historically more normal levels.

SOYBEANS

Production is forecast to decline marginally, as lower yields are more than offset by the rise in harvested area. Record carry-in stocks are expected because of high imports and the slower crush pace in 2004-05. Record large supplies are projected. Exports are forecast to remain stable, while domestic crush increases to historically normal levels. Carry-out stocks are expected to remain burdensome. The price of soybeans is forecast to fall due to lower US and South American soybean prices.

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CANADA: GRAINS AND OILSEEDS SUPPLY AND DISPOSITION

April 25, 2005

Grain and Crop (a)	Area Seeded Harvested -----000 ha-----		Yield t/ha	Production (b)	Total Supply	Exports (c)	Food and Ind. Use (e)	Feed, & Dockage	Total Dom- estic Use (d)	Carry-out Stocks	Average Price (f) \$/t	
----- thousand metric tonnes-----												
Durum												
2003-2004	2,483	2,459	1.74	4,280	1	5,900	3,427	252	220	684	1,788	224.21
2004-2005f	2,230	2,141	2.32	4,962	1	6,751	3,100	255	476	951	2,700	200 *
2005-2006f	2,354	2,300	2.08	4,790	1	7,491	3,600	260	411	891	3,000	188 *
Wheat Except Durum												
2003-2004	8,179	8,009	2.41	19,272	16	23,395	12,300	2,775	3,222	6,804	4,292	206.03
2004-2005f	8,170	7,722	2.71	20,898	10	25,200	11,700	2,770	4,800	8,300	5,100	187 *
2005-2006f	7,860	7,595	2.47	18,750	10	23,860	12,400	2,800	3,640	7,260	4,200	183 *
ALL WHEAT												
2003-2004	10,662	10,467	2.25	23,552	18	29,295	15,727	3,027	3,442	7,488	6,080	
2004-2005f	10,399	9,862	2.62	25,860	11	31,952	14,900	3,025	5,276	9,252	7,800	
2005-2006f	10,213	9,895	2.38	23,540	11	31,351	16,000	3,060	4,051	8,151	7,200	
Barley												
2003-2004	5,046	4,446	2.77	12,328	36	13,838	2,445	298	8,574	9,286	2,108	135.80
2004-2005f	4,678	4,050	3.26	13,186	50	15,344	2,100	300	9,339	10,044	3,200	100-120
2005-2006f	4,700	4,215	3.00	12,660	30	15,890	2,500	380	9,505	10,290	3,100	100-120
Corn												
2003-2004	1,265	1,226	7.82	9,587	2,107	12,804	342	2,415	8,892	11,319	1,143	137.18
2004-2005f	1,185	1,072	8.24	8,836	2,100	12,078	150	2,650	8,263	10,928	1,000	90-110
2005-2006f	1,144	1,120	7.66	8,580	2,400	11,980	150	2,700	8,315	11,030	800	90-110
Oats												
2003-2004	2,272	1,575	2.34	3,691	19	4,234	1,557	140	1,569	1,876	800	136.65
2004-2005f	1,995	1,315	2.80	3,683	20	4,504	1,500	150	1,567	1,904	1,100	120-140
2005-2006f	2,292	1,710	2.55	4,360	15	5,475	1,800	170	1,905	2,275	1,400	105-115
Rye												
2003-2004	246	147	2.22	327	0	357	171	47	70	135	50	104.44
2004-2005f	284	165	2.53	418	1	469	250	48	99	164	55	65-85
2005-2006f	228	145	2.14	310	1	366	150	48	101	166	50	65-85
Mixed Grains												
2003-2004	241	135	2.84	384	0	384	0	0	384	384	0	
2004-2005f	233	111	2.87	318	0	318	0	0	318	318	0	
2005-2006f	249	145	2.83	410	0	410	0	0	410	410	0	
TOTAL COARSE GRAINS												
2003-2004	9,070	7,529	3.50	26,317	2,161	31,617	4,516	2,900	19,489	23,001	4,101	
2004-2005f	8,374	6,713	3.94	26,441	2,171	32,713	4,000	3,148	19,586	23,358	5,355	
2005-2006f	8,612	7,335	3.59	26,320	2,446	34,121	4,600	3,298	20,236	24,171	5,350	
Canola												
2003-2004	4,736	4,689	1.44	6,771	243	7,908	3,754	3,390 ¹	110	3,542	612	387.04
2004-2005f	5,319	4,938	1.57	7,728	150	8,490	3,400	3,200 ¹	420	3,665	1,425	285-325
2005-2006f	4,886	4,767	1.41	6,725	200	8,350	3,400	3,100 ¹	555	3,700	1,250	280-320
Flaxseed												
2003-2004	745	728	1.04	754	22	905	609	n/a	n/a	199	97	382.13
2004-2005f	728	528	0.98	517	35	649	455	n/a	n/a	144	50	525-575
2005-2006f	868	846	1.21	1,025	20	1 095	700	n/a	n/a	245	150	320-360
Soybeans												
2003-2004	1,051	1,047	2.17	2,268	587	3,000	913	1,500 ¹	319	1,947	140	395.04
2004-2005f	1,229	1,178	2.59	3,048	400	3,588	1,000	1,450 ¹	488	2,063	525	225-265
2005-2006f	1,225	1,211	2.47	2,990	250	3,765	1,000	1,750 ¹	505	2,365	400	200-240
TOTAL OILSEEDS												
2003-2004	6,531	6,464	1.52	9,794	852	11,813	5,276	n/a	n/a	5,688	849	
2004-2005f	7,277	6,643	1.70	11,293	585	12,727	4,855	n/a	n/a	5,873	2,000	
2005-2006f	6,979	6,823	1.57	10,740	470	13,210	5,100	n/a	n/a	6,310	1,800	
TOTAL GRAINS AND OILSEEDS												
2003-2004	26,263	24,461	2.44	59,663	3,030	72,725	25,518	n/a	n/a	36,177	11,030	
2004-2005f	26,050	23,219	2.74	63,595	2,767	77,392	23,755	n/a	n/a	38,482	15,155	
2005-2006f	25,805	24,053	2.52	60,600	2,927	78,682	25,700	n/a	n/a	38,632	14,350	

(a) August - July crop year except corn and soybeans which are September - August.

(b) Excludes imports of products.

(c) Includes exports of products for wheat, oats, barley, and rye. Excludes exports of oilseed products.

(d) Total = F&I + FWD + Seed Use

(e) Industrial use excludes flaxseed due to data confidentiality.

(f) Crop year average prices: No.1 CWRS 11.5% protein and No.1 CWAD 11.5% (CWB final price I/S St. Lawrence/Vancouver), Barley (No. 1 feed, WCE, cash, I/S Lethbridge), Corn (No.2 CE, cash, I/S Chatham), Oats (US No. 2 Heavy, CBoT nearby futures); Rye (No.2 Canada, Elevator bids at select western delivery points); Canola (No. 1 Canada, WCE, cash, I/S Vancouver); Flaxseed (No. 1 CW, WCE, cash, I/S Thunder Bay); Soybeans (No. 2, I/S Chatham).

* CWB Pool Return Outlook (PRO) - March 2005

^{1/} Source for Food and Industrial Use is based on data from the Canadian Oilseed Processors Association.

f: forecast - Agriculture and Agri-Food Canada - April 25, 2005

Source: Statistics Canada, Cereals and Oilseeds Review Series, Cat. No. 22-007



CANADA: PULSE AND SPECIAL CROPS OUTLOOK

April 25, 2005

For 2005-06, total area seeded to pulse and special crops in Canada is forecast to decrease by 6%, from 2004-05, as increases for lentils, dry beans, sunflower seed and chickpeas are more than offset by decreases for dry peas, mustard seed and canary seed. Statistics Canada's (STC) seeding intentions survey, conducted during March 14-31 and released on April 21, provided estimates for most pulse and special crops by province, but in some cases the area seeded has been forecast by AAFC. The actual seeded areas may differ from the intentions due to changes in the market outlook and expected prices, producer reaction to the STC seeding intentions report and soil moisture conditions at the time of seeding. To date, only a small amount of seeding has been completed. It is assumed that precipitation will be normal for the seeding, growing and harvest periods. Trend yields are assumed for both western and eastern Canada, as soil moisture reserves are generally normal. It has been assumed that the abandonment rate and average quality will be normal.

Total production in Canada is forecast to decrease by 12%, from 2004-05, to 4.63 million tonnes (Mt). Total supply is expected to decrease only slightly to 5.74 Mt as higher carry-in stocks offset most of the decrease in production. Exports are forecast to increase moderately due to stronger demand, while domestic use is expected to be similar to 2004-05 because higher average quality reduces dockage and non-traditional use. Carry-out stocks are expected to decrease. Average prices, over all types, grades and markets, are forecast to increase for chickpeas, mustard seed and canary seed, decrease for lentils, dry beans and sunflower seed, and be the same for dry peas and buckwheat. However, prices are expected to be sensitive to any production problems. The main factor to watch will be precipitation during the spring, summer and fall in Canada. Other factors to watch are the exchange rates of the Canadian dollar against the US dollar and other currencies, ocean shipping rates and growing conditions in major producing regions, especially United States, European Union, Turkey, India and Australia.

DRY PEAS

For 2005-06, production and supply are forecast to decrease due to a 2% fall in seeded area and lower trend yields. Production is expected to decrease for yellow, green and other types. World supply is expected to decrease marginally to 12.7 Mt and use is forecast to increase slightly, resulting in lower carry-out stocks. Canadian exports are expected to decrease slightly due to increased competition from the US, where production is forecast to rise sharply, but domestic use is forecast to increase due to stronger demand in the feed sector. Carry-out stocks are forecast to decrease, with a s/u of 12%. The average price, over all types, grades and markets, is forecast to be the same as in 2004-05, in line with the relatively stable world supply.

LENTILS

For 2005-06, production is forecast to decrease, as a 4% rise in seeded area is more than offset by lower trend yields. Production is forecast to decrease for large, medium and small green types, but remain stable for the red type. Supply is expected to increase as higher carry-in stocks more than offset the fall in production. World supply is forecast to increase by 5% to 4.1 Mt due to higher carry-in stocks. Although world use is expected to increase, carry-out stocks are forecast to rise. Although Canadian exports are expected to increase due to higher demand, carry-out stocks are forecast to rise, with a s/u of 29%. The average price, over all types and grades, is forecast to decrease slightly from 2004-05, as pressure from higher world supply is mostly offset by higher average quality.

DRY BEANS

For 2005-06, production and supply are forecast to increase, due to an 18% rise in seeded area, lower abandonment and higher trend yields. Production is expected to increase for all classes, including white pea,

pinto, black, dark and light red kidney, cranberry, Great Northern, small red and pink. In the US, production is forecast to increase by 37% to 1.07 Mt, while supply increases by only 10% to 1.15 Mt due to lower carry-in stocks. Canadian exports are forecast to increase due to higher supply. Carry-out stocks are expected to increase, with a s/u of 5%. The average price, over all classes and grades, is forecast to decrease due to the higher supply.

CHICKPEAS

For 2005-06, production is forecast to increase, as a 15% higher seeded area and lower abandonment more than offset lower trend yields. Production is expected to increase mainly for the large kabuli type, with only minor increases for the small kabuli and desi types. Supply is forecast to decrease, due to lower carry-in stocks. World supply is expected to decrease marginally to 8.8 Mt. Canadian exports are forecast to remain stable, while carry-out stocks remain at a low level. The average price, over all types, grades and sizes, is forecast to increase due to higher average quality.

MUSTARD SEED

For 2005-06, production and supply are forecast to decrease because of a 26% fall in seeded area and lower trend yields. Production is expected to decrease for all types, yellow, brown and oriental. Exports are forecast to rise due to higher demand and carry-out stocks are forecast to decrease, with a s/u ratio of 57%. The average price, over all types and grades, is expected to increase due to the lower supply.

CANARY SEED

For 2005-06, production is forecast to decrease due to a 50% fall in seeded area. World supply is forecast to decrease by 14% to 350,000 t. Canadian exports are expected to increase due to higher demand and carry-

out stocks are forecast to decrease, with a s/u ratio of 35%. The average price is forecast to increase slightly because of the lower supply.

SUNFLOWER SEED

For 2005-06, production and supply are forecast to increase due to a 36% rise in seeded area, lower abandonment and higher trend yields. Production is expected to increase for both types, confectionery and oilseed. US supply is forecast to increase by 30% to 1.43 Mt. World supply is expected to increase marginally to 27.1 Mt. Canadian exports and domestic use are forecast to increase because of the higher supply. Carry-out stocks are expected to increase, with a s/u of 12%. The average price, over both types and all grades, is forecast to decrease because of the higher supply in US and Canada.

BUCKWHEAT

For 2005-06, Canadian production and supply are forecast to increase, with a stable seeded area, lower abandonment and higher trend yields. Exports are forecast to increase and carry-out stocks are expected to be very low. The average price is forecast to be the same as in 2004-05, as support from lower world supply is offset by higher Canadian supply.

FURTHER INFORMATION:

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CANADA: PULSE AND SPECIAL CROPS SUPPLY AND DISPOSITION

April 25, 2005

Grain and Crop Year (a)	Area		Yield t/ha	Production	Imports (b)	Total Supply	Exports (b)	Total Domestic Use (d)	Carry-out Stocks	Average Price (e) \$/t
	Seeded 000 ha	Harvested 000 ha								
----- thousand metric tonnes -----										
Dry Peas										
2001-2002	1,344	1,285	1.57	2,023	27	2,245	1,381	589	275	190
2002-2003	1,297	1,050	1.30	1,365	41	1,681	628	743	310	210
2003-2004	1,303	1,271	1.67	2,124	24	2,458	1,317	936	205	175
2004-2005f	1,388	1,345	2.48	3,338	20	3,563	1,950	1,063	550	115-145
2005-2006f	1,362	1,330	2.10	2,790	20	3,360	1,900	1,110	350	115-145
Lentils										
2001-2002	708	664	0.85	566	6	828	478	219	131	320
2002-2003	601	387	0.91	354	9	494	320	119	55	390
2003-2004	554	536	0.97	520	5	580	368	174	38	420
2004-2005f	778	750	1.28	961	7	1,006	540	316	150	295-325
2005-2006f	810	785	1.16	910	5	1,065	575	250	240	290-320
Dry Beans										
2001-2002	184	175	1.70	298	42	390	263	97	30	725
2002-2003	230	219	1.89	414	40	484	297	117	70	445
2003-2004	167	167	2.13	356	31	457	344	83	30	495
2004-2005f	163	126	1.75	220	30	280	205	70	5	645-675
2005-2006f	193	189	1.85	350	30	385	290	75	20	525-555
Chickpeas										
2001-2002	486	467	0.97	455	12	497	146	211	140	380
2002-2003	221	154	1.01	156	9	305	105	140	60	300
2003-2004	63	63	1.08	68	2	130	74	36	20	330
2004-2005f	47	39	1.31	51	5	76	35	36	5	355-385
2005-2006f	54	52	1.15	60	5	70	35	30	5	390-420
Mustard Seed										
2001-2002	166	158	0.66	105	3	213	171	n/a	33	685
2002-2003	289	255	0.60	154	9	196	114	22	60	595
2003-2004	340	328	0.69	226	2	288	121	75	92	390
2004-2005f	317	304	1.00	305	2	399	140	84	175	295-325
2005-2006f	233	226	0.80	180	2	357	150	77	130	310-340
Canary Seed										
2001-2002	170	163	0.70	114	0	184	134	20	30	660
2002-2003	287	227	0.78	176	0	206	164	22	20	575
2003-2004	251	243	0.93	226	0	246	170	n/a	67	345
2004-2005f	356	318	0.94	300	0	367	180	42	145	215-245
2005-2006f	179	174	0.95	165	0	310	185	45	80	225-255
Sunflower Seed										
2001-2002	73	67	1.55	104	29	179	92	65	22	355
2002-2003	100	95	1.65	157	21	200	105	60	35	440
2003-2004	119	115	1.30	150	16	201	96	80	25	405
2004-2005f	87	59	0.92	54	25	104	40	59	5	475-505
2005-2006f	119	112	1.47	165	15	185	90	75	20	385-415
Buckwheat										
2001-2002	16	14	1.14	16	1	17	6	8	3	325
2002-2003	12	12	1.00	12	1	16	6	7	3	340
2003-2004	9	9	1.11	10	1	14	5	7	2	355
2004-2005f	9	7	0.71	5	1	8	2	6	0	340-370
2005-2006f	9	9	1.00	9	1	10	4	6	0	340-370
Total Pulse And Special Crops(c.)										
2001-2002	3,131	2,993	1.23	3,681	120	4,553	2,671	1,218	664	
2002-2003	3,025	2,399	1.16	2,788	130	3,582	1,739	1,230	613	
2003-2004	2,797	2,732	1.35	3,680	81	4,374	2,495	1,400	479	
2004-2005f	3,136	2,948	1.78	5,234	90	5,803	3,092	1,676	1,035	
2005-2006f	2,959	2,877	1.61	4,629	78	5,742	3,229	1,668	845	

(a) August-July crop year.

(b) Excludes products.

(c) Includes Pulse Crops (dry peas, lentils, dry beans, chick peas) and Special Crops (mustard seed, canary seed, sunflower seed, buckwheat)

(d) Includes food, feed, seed, waste and dockage.

(e) Producer price, FOB plant. Average over all types, grades and markets.

f: forecast, Agriculture and Agri-Food Canada, April 25, 2005

n/a Total domestic use is calculated residually. Based on current data on exports and carry-out stocks, it appears that Statistics Canada's production estimate may be low or carry-out stocks high resulting in a very low residual.

Source: Statistics Canada and industry consultations.

A. SELLING PRICE OF BULK FEED INGREDIENTS AT SELECTED POINTS

May 2, 2005

SELECTED POINT	REFERENCE PERIOD	PRICE BASIS	(1)	WHEAT	OATS	BARLEY	CORN	PRICE BASIS	SOYBEAN MEAL	CANOLA MEAL	MILL-FEEDS	MEAT MEAL	FISH MEAL	ANIMAL FAT	GLUTEN MEAL	GLUTEN FEED	FEED PEAS	DEHY ALFALFA	FEATHER MEAL
Vancouver	May 2, 2005	FOB	129.00	N/A	136.00	148.00			310.00	185.00	105.00		850.00	520.00					355.00
BC (4) (7)	April 25, 2005		125.00	N/A	137.00	144.00			297.00	178.00	103.00		837.50	520.00					345.00
Calgary	May 2, 2005	FOB	108.00	N/A	112.00	138.00			311.00			125.00	975.00	555.00					330.00
AB (4)	April 25, 2005		108.00	N/A	112.00	151.00			294.00			125.00	975.00	555.00					320.00
Saskatoon	May 2, 2005	FOB	85.50	135.00	90.00	133.00			312.00	N/A		140.00	N/A	555.00			120.00		380.00
SK (4)	April 25, 2005		85.50	135.00	90.00	128.00			297.50	N/A		140.00	N/A	555.00			121.67		370.00
Winnipeg	May 2, 2005	FOB	129.00	140.00	108.50	119.00			293.00	N/A		290.00	987.50	525.00					340.00
MB (4) (9)	April 25, 2005		128.00	140.00	110.00	115.00			276.00	N/A		290.00	987.50	525.00					330.00
Thunder Bay	May 2, 2005	In-Store	106.50	N/A	107.00														
ON (8)	April 25, 2005		106.50	N/A	109.00														
Lake Ports	May 2, 2005	On Board				104.16													
USA (3)	April 25, 2005	Vessel				101.82													
Bay Ports	May 2, 2005	In-Store	136.00	205.00	138.00														
ON	April 25, 2005		136.00	205.00	138.00		109.00												
Chatham	May 2, 2005	Track					106.23												
ON	April 25, 2005																		
Toronto	May 2, 2005	N/A						FOB				193.00	N/A	430.00	425.00	114.00		285.00	315.00
ON (5)	April 25, 2005											218.00	N/A	430.00	425.00	114.00		285.00	310.00
Hamilton	May 2, 2005	N/A							215.17	#N/A									
ON	April 25, 2005								279.43	#N/A									
Eastern	May 2, 2005	FOB					100.50												
ON	April 25, 2005						107.50												
London	May 2, 2005	FOB													425.00	114.00			
ON	April 25, 2005														425.00	114.00			
Port Colborne	May 2, 2005	FOB									53.50				425.00	114.00			
ON	April 25, 2005										66.50				425.00	114.00			
Cardinal	May 2, 2005	FOB													425.00	114.00			
ON	April 25, 2005														425.00	114.00			
Montreal	May 2, 2005		140.00	150.00	142.00	120.00			277.49	185.28	66.67	180.00	850.00	397.00	425.00	114.00		270.00	330.00
QC (5)	April 25, 2005		140.00	150.00	142.00	122.00		FOB	284.13	188.40	68.33	200.00	850.00	397.00	425.00	114.00		270.00	320.00
Trois-Rivières	May 2, 2005	In-Store	137.50		144.00	131.69													
QC	April 25, 2005				153.00	126.47													
St. Jean OC (2)	May 2, 2005	FOB	146.52	121.86	138.35	112.31			277.38										
St. Hyacinthe QC	April 25, 2005		146.56	124.41	138.97	112.38			275.31										
Quebec	May 2, 2005	In-Store	140.50	N/A	158.34	132.28			299.36	204.30									
QC	April 25, 2005		139.37	N/A	160.21	131.12			283.30	200.40									
Truro	May 2, 2005	Track	173.45		167.90	155.07			337.54	242.55		245.55		505.00					320.00
NS	April 25, 2005		170.03		170.00	152.27		FOB	327.77	237.03		268.05		505.00					310.00
Truro	May 2, 2005	Water																	
NS	April 25, 2005	& Truck																	
Halifax	May 2, 2005	In-Store	N/A	N/A	N/A	N/A	n/a		339.00		297.50		1,100.00	N/A					
NS (6)	April 25, 2005		N/A	N/A	N/A	N/A	n/a		333.25		297.50		1,100.00	N/A					

Source: Market Analysis Division, Agriculture and Agri-Food Canada; Thunder Bay prices are based on the Winnipeg Commodity Exchange (WCE) market close US\$1.00=CANS\$1.2569, closing date April 29, 2005

Contact: Valerie Chartier A/Statistical Clerk Telephone: (204) 983-0581 Fax: (204) 983-5524 Email: chartier_v@agr.gc.ca N/A = not available

Footnotes: All prices in Canadian dollars per metric tonne based on survey respondents.

Grain grades (unless otherwise specified) are: Western or Eastern Feed Wheat, Feed Oats, No.1 Canada Western or Eastern Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn.

Soybean Meal 48 % Protein. Canola Meal based on minimum standard of 35% Protein. Fish Meal- white fish and/or herring meal. Gluten Meal 60% Protein. Gluten Feed 21% Protein.

(1) Wheat 3CWRS (2) Canadian Corn #3 or #2 (3) US Corn (4) Fish Meal from West Coast 63% Protein (5) Fish Meal 60% Protein (6) Herring Fish Meal (7) Fraser Valley (8) Wheat & Barley (Basis - Cash Price WCE) (9) Oats 3CW

B. CASH PRICES AND REPLACEMENT VALUES

May 2, 2005

PRAIRIE GRAINS

Selected Points	Price Basis		This week 2-May-05	Last week 18-Apr-05	Month ago 4-Apr-05	Year ago 3-May-04
From: Thunder Bay(WCE) (2)	In-Store	Wheat	106.00	106.00	103.00	180.00
(CBOT)		Oat	142.50	154.00	154.00	180.00
(Lethbridge)		Barley	112.00	114.00	114.50	154.00
To: Bayport, ON (1)	In-store	Wheat	129.61	129.61	126.61	203.61
		Oat	N/A	N/A	N/A	N/A
		Barley	139.39	141.39	141.89	181.39
Montreal, QC (1)	In-store	Wheat	134.03	134.03	131.03	208.03
		Oat	N/A	N/A	N/A	N/A
		Barley	144.31	146.31	146.81	186.31
Moncton, NB	Truck via Halifax	Wheat	156.25	156.25	153.25	230.25
		Oat	N/A	N/A	N/A	N/A
		Barley	168.50	170.50	171.00	210.50
Truro, NS	Truck via Halifax	Wheat	150.22	150.22	147.22	224.22
		Oat	N/A	N/A	N/A	N/A
		Barley	166.00	168.00	168.50	208.00
Halifax, NS (1)	In-store	Wheat	141.28	141.28	138.28	215.28
		Oat	N/A	N/A	N/A	N/A
		Barley	152.30	154.30	154.80	194.30
Stephenville, NL	Track / Truck via Sydney	Wheat	204.63	204.63	201.63	278.63
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A
Melfort, SK		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Bayport, ON		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Montreal, QC		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Moncton, NB		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Truro, NS		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track / Truck via Sydney	Barley	N/A	N/A	N/A	N/A
Stephenville, NL		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A
Selected Points	Price Basis		This week 2-May-05	Last week 18-Apr-05	Last week 4-Apr-05	Year ago 19-Apr-04
Corn						
From: US Lake Port	On Board Vessel		104.16	101.82	101.74	177.13
To: Montreal, QC (1)	In-store		123.20	120.86	120.78	196.17
From: Chicago (IL)	Track		108.12	105.24	106.04	163.10
To: Montreal, QC	Track		136.98	134.10	134.90	191.96
From: Chatham, ON	Track		109.00	106.23	110.00	169.55
To: Montreal, QC	Track		132.87	130.10	133.87	193.42
Soymeal 48% Protein						
From: Hamilton, ON			215.17	279.43	265.43	486.22
To: Montreal, QC	Track		239.50	303.76	289.76	510.55
Moncton, NB	Track		258.25	322.51	308.51	529.30
Truro, NS	Track		261.47	325.73	311.73	532.52
Stephenville, NL	Track / Truck via Sydney		310.10	374.36	360.36	581.15

1. Prices include ONE month of storage and interest charges n/a = not available

2. Thunder Bay prices are based on the Winnipeg Commodities Exchange market close (Cash price)

Source: Market Analysis Division, Agriculture and Agri-Food Canada

Contact: Valérie Chartier: A/Statistical Clerk (204) 983-0581 Fax: (204) 983-5524 e-mail: chartierv@agr.gc.ca

Footnotes: All prices quoted in Canadian dollars per metric tonne.

Grain grades (unless otherwise specified) are: Canada Western Feed Wheat, Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn.

Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec.

Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable

A. SELLING PRICE OF BULK FEED INGREDIENTS AT SELECTED POINTS

April 18, 2005

SELECTED POINT	REFERENCE PERIOD	PRICE BASIS	(1) WHEAT	OATS	BARLEY	CORN	PRICE BASIS	SOYBEAN MEAL	CANOLA MEAL	MILL- FEEDS	MEAT MEAL	FISH MEAL	ANIMAL FAT	GLUTEN MEAL	GLUTEN FEED	FEED PEAS	DEHY ALFALFA	FEATHER MEAL
Vancouver	April 18, 2005	FOB	125.00	N/A	137.00	144.00		297.00	178.00	103.00		837.50	520.00					345.00
BC (4) (7)	April 11, 2005		125.00	N/A	137.00	141.50		286.00	169.00	98.00			520.00					335.00
Calgary	April 18, 2005	FOB	108.00	N/A	112.00	151.00		294.00			125.00	975.00	555.00					320.00
AB (4)	April 11, 2005		114.00	N/A	108.00	139.00		282.50			130.00	975.00	555.00					310.00
Saskatoon	April 18, 2005	FOB	85.50	135.00	90.00	128.00		286.75	N/A		145.00	N/A	555.00			121.67		370.00
SK (4)	April 11, 2005		85.00	135.00	90.00	135.00		276.00	N/A		290.00	987.50	525.00			121.67		360.00
Winnipeg	April 18, 2005	FOB	128.00	140.00	110.00	115.00		264.50	N/A		290.00	990.00	525.00					330.00
MB (4) (9)	April 11, 2005		128.00	140.00	110.00	118.00		264.50	N/A		290.00	990.00	525.00					330.00
Thunder Bay	April 18, 2005	In-Store	106.50	N/A	109.00													
ON (8)	April 11, 2005		105.50	N/A	111.00													
Lake Ports	April 18, 2005	On Board				101.82												
USA (3)	April 11, 2005	Vessel				99.31												
Bay Ports	April 18, 2005	In-Store	136.00	205.00	138.00													
ON	April 11, 2005		136.00	205.00	138.00													
Chatham	April 18, 2005	Track				106.23												
ON	April 11, 2005					105.44												
Toronto	April 18, 2005	N/A					FOB				218.00	N/A	430.00	425.00	114.00		265.00	310.00
ON (5)	April 11, 2005							279.43	#N/A		218.00	N/A	430.00	425.00	114.00		265.00	310.00
Hamilton	April 18, 2005	N/A						267.31	#N/A									
ON	April 11, 2005																	
Eastern	April 18, 2005	FOB				107.50												
ON	April 11, 2005					108.92												
London	April 18, 2005	FOB												425.00	114.00			
ON	April 11, 2005													425.00	114.00			
Port Colborne	April 18, 2005	FOB								66.50				425.00	114.00			
ON	April 11, 2005									71.50				425.00	114.00			
Cardinal	April 18, 2005	FOB												425.00	114.00			
ON	April 11, 2005													425.00	114.00			
Montreal	April 18, 2005		140.00	150.00	142.00	122.00		284.13	188.40	68.33	200.00	850.00	397.00	425.00	114.00		270.00	320.00
QC (5)	April 11, 2005		138.00	150.00	148.00	127.00	FOB	280.48	191.35	68.33	200.00	850.00	386.00	425.00	114.00		270.00	310.00
Trois-Rivières	April 18, 2005	In-Store	139.10		153.00	126.47												
QC	April 11, 2005		141.00		154.00	127.55												
St. Jean QC (2)	April 18, 2005	FOB	146.56	124.41	138.97	112.38		275.31										
St. Hyacinthe QC	April 11, 2005		145.10	124.17	142.25	112.19		276.42										
Quebec	April 18, 2005	In-Store	139.37	N/A	160.21	131.12		283.30	200.40									
QC	April 11, 2005		138.83	N/A	164.33	128.14		278.12	200.85									
Truro	April 18, 2005	Track	170.03		170.00	152.27		327.77	237.03		268.05		505.00					310.00
NS	April 11, 2005		168.20		174.60	152.69	FOB	323.79	256.77		268.05		505.00					310.00
Truro	April 18, 2005	Water		N/A	N/A	N/A												
NS	April 11, 2005	& Truck	N/A	N/A	N/A	N/A												
Halifax	April 18, 2005	In-Store	N/A	N/A	N/A	n/a		333.25		297.50		1,100.00	N/A					
NS (6)	April 11, 2005		N/A	N/A	N/A	n/a		324.60		297.50		1,100.00	N/A					

Source: Market Analysis Division, Agriculture and Agri-Food Canada; Thunder Bay prices are based on the Winnipeg Commodity Exchange (WCE) market close
 Contact: Valérie Charrier A/Statistical Clerk Telephone: (204) 983-0581 Fax: (204) 983-5524 Email: charrierv@agr.gc.ca
 N/A = not available
 US\$1.00=CANS1.2419, closing date April 15, 2005

Footnotes: All prices in Canadian dollars per metric tonne based on survey respondents.

Grain grades (unless otherwise specified) are: Western or Eastern Feed Wheat, Feed Oats, No 1 Canada Western or Eastern Barley, No 2 Canada Yellow Corn, No 3 US Yellow Corn.
 Soybean Meal 48 % Protein. Canola Meal based on minimum standard of 35% Protein. Fish Meal: white fish and/or herring meal. Gluten Meal 60% Protein. Gluten Feed 21% Protein.

(1) Wheat 3CWR2 (2) Canadian Corn #3 or #2 (3) US Corn (4) Fish Meal from West Coast 63% Protein (5) Fish Meal 60% Protein (6) Herring Fish Meal (7) Fraser Valley (8) Wheat & Barley (Basis - Cash Price WCE) (9) Oats 3CW

B. CASH PRICES AND REPLACEMENT VALUES

April 18, 2005

PRAIRIE GRAINS

Selected Points	Price Basis		This week 18-Apr-05	Last week 4-Apr-05	Month ago 21-Mar-05	Year ago 19-Apr-04
From: Thunder Bay(WCE) (2)	In-Store	Wheat	106.00	103.00	103.00	173.00
(CBOT)		Oat	154.00	154.00	154.25	162.00
(Lethbridge)		Barley	114.00	114.50	110.80	149.00
To: Bayport, ON (1)	In-store	Wheat	129.61	126.61	126.61	196.61
		Oat	N/A	N/A	N/A	N/A
		Barley	141.39	141.89	138.19	176.39
Montreal, QC (1)	In-store	Wheat	134.03	131.03	131.03	201.03
		Oat	N/A	N/A	N/A	N/A
		Barley	146.31	146.81	143.11	181.31
Moncton, NB	Truck via Halifax	Wheat	156.25	153.25	153.25	223.25
		Oat	N/A	N/A	N/A	N/A
		Barley	170.50	171.00	167.30	205.50
Truro, NS	Truck via Halifax	Wheat	150.22	147.22	147.22	217.22
		Oat	N/A	N/A	N/A	N/A
		Barley	168.00	168.50	164.80	203.00
Halifax, NS (1)	In-store	Wheat	141.28	138.28	138.28	208.28
		Oat	N/A	N/A	N/A	N/A
		Barley	154.30	154.80	151.10	189.30
Stephenville, NL	Track / Truck via Sydney	Wheat	204.63	201.63	201.63	271.63
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A
Melfort, SK		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Bayport, ON		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Montreal, QC		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Moncton, NB		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Truro, NS		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track / Truck via Sydney	Barley	N/A	N/A	N/A	N/A
Stephenville, NL		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A

Selected Points	Price Basis		This week 18-Apr-05	Last week 4-Apr-05	Last week 21-Mar-05	Year ago 19-Apr-04
Corn						
From: US Lake Port	On Board Vessel		101.82	101.82	99.82	169.64
To: Montreal, QC (1)	In-store		120.86	120.86	118.86	188.68
From: Chicago (IL)	Track		105.24	105.24	106.04	160.64
To: Montreal, QC	Track		134.10	134.10	134.90	189.50
From: Chatham, ON	Track		106.23	106.23	110.00	165.44
To: Montreal, QC	Track		130.10	130.10	133.87	189.31

Soymeal 48% Protein

From: Hamilton, ON			279.43	279.43	264.33	418.90
To: Montreal, QC	Track		303.76	303.76	288.66	443.23
Moncton, NB	Track		322.51	322.51	307.41	461.98
Truro, NS	Track		325.73	325.73	310.63	465.20
Stephenville, NL	Track / Truck via Sydney		374.36	374.36	359.26	513.83

- Prices include ONE month of storage and interest charges n/a = not available
- Thunder Bay prices are based on the Winnipeg Commodities Exchange market close (Cash price)

Source: Market Analysis Division, Agriculture and Agri-Food Canada

Contact: Valérie Chartier: A/Statistical Clerk (204) 983-0581 Fax: (204) 983-5524 e-mail: chartierv@agr.gc.ca

Footnotes: All prices quoted in Canadian dollars per metric tonne.

Grain grades (unless otherwise specified) are: Canada Western Feed Wheat, Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn.

Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec.

Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable



Bi-weekly Bulletin

May 6, 2005 Volume 18 Number 9

MUSTARD SEED: SITUATION AND OUTLOOK

Canada is the dominant exporter and it is normally the second largest producer of mustard seed in the world. The value of Canadian mustard seed exports averaged about \$80 million during the past five years. For 2005-2006, Canadian seeded area, production and supply are expected to decrease significantly from 2004-2005 for all types of mustard seed, yellow, brown and oriental, however, exports and average prices are expected to increase. This issue of the *Bi-weekly Bulletin* examines the situation and outlook for mustard seed.

WORLD

Production and Trade

India produces the bulk of world mustard seed. However production data for India, as well as two other significant producers, Pakistan and Bangladesh, is not available since these countries combine the production data for mustard seed and rapeseed. Unofficial estimates for mustard seed production in these countries are about 2.5 million tonnes (Mt) for India and about 150,000 tonnes (t) each for Pakistan and Bangladesh. Mustard seed produced in India, Pakistan and Bangladesh, as well as in most other Asian countries, is mainly crushed for oil. Excluding these three countries, mustard seed production has been variable, but with a slight upward trend during the past ten years.

Mustard seed exports have also been variable, but with a slight upward trend, peaking at 294,000 t in 2003, the latest year for which world trade statistics are available. Canada dominates world mustard seed exports, accounting for about 65% of total world exports if re-exports are excluded. The only other significant exporters are Russia, Ukraine, the Czech Republic and Hungary. Exports from Germany, Netherlands and Belgium are re-exports of imported seed. The top five importing countries, Bangladesh, the United States (US), Germany, France and Netherlands, account for about 70% of world imports.

CANADA

Production

The three types of mustard seed

produced in Canada are yellow (*Sinapis alba*), brown, and oriental (both *Brassica juncea*). Mustard seed can be grown on most soil types, but is best adapted to the brown and dark brown soils. Soils prone to crusting and dry, sandy soils are not recommended. All mustard seed types tolerate drought conditions better than canola. Mustard seed fits well in a rotation with cereal grains. Yellow mustard seed requires 90-92 days to mature, brown 85 days and oriental 86-88 days. Seedlings are quite tolerant of frost. Therefore, early seeding is recommended to avoid flowering during the hottest part of the summer, thereby improving yields. The Canadian mustard seed harvest normally occurs from mid-August to late September.

Canadian mustard seed production has been variable during the past 10 years, ranging from a low of 105,000 t in 2001-2002 to a high of 306,000 t in 1999-2000. For 2001-2002, 2002-2003 and 2003-2004, average yields were lower than normal and abandonment rates were higher than normal due to drought and other weather related problems in most growing areas. Production recovered in 2004-2005 due to higher seeded area and higher yields. Saskatchewan dominates Canadian

mustard seed production with 82% of the production in 2004-2005, followed by Alberta at 17% and Manitoba at 1%.

Production by type varies from year to year depending on price prospects for each type of mustard seed. The yields of brown and yellow mustard seed are about 5% and 20% lower than oriental, respectively. Since the costs of production are similar for all types, prices for brown mustard seed have to be about 5% higher and for yellow mustard seed about 25% higher compared to oriental mustard seed to encourage production of the brown and yellow types rather than the oriental type.

World Mustard Seed Production (partial)

	2001- 2002	2002- 2003	2003- 2004	2004- 2005	2005- 2006f
Harvested Area (000 ha)	558	777	1,024	1,020	925
Average Yields (t/ha)	0.66	0.65	0.68	0.77	0.67
	.....thousand tonnes.....				
Canada*	105	154	226	305	180
Nepal	132	135	133	135	130
Czech Republic	19	32	60	112	90
Russia	28	35	86	75	70
Ukraine	8	27	69	50	45
Myanmar	30	34	35	35	35
USA **	19	52	35	26	25
China	13	13	15	15	15
Romania	4	6	15	15	12
Slovakia	2	3	6	7	6
Germany	4	4	4	4	4
Other	7	7	9	9	8
Total World	371	502	693	788	620

Note: India, Pakistan and Bangladesh are important producers, but mustard seed production data for these countries is not available as it is combined with rapeseed production data.

Source: FAO, except *Statistics Canada, **USDA - May 2005
f: AAFC forecast, May 2005

The quality of the 2004-2005 crop was lower than normal. According to a survey conducted by Saskatchewan Agriculture and Food, about 45% of the mustard seed in that province graded 1 Canada (normally 78%), 28% graded 2 Canada (16%), 12% graded 3 Canada (4%) and 15% graded 4 Canada and Sample (2%).

Uses

Mustard seed is a nutritious food ingredient. Its high protein content of 28-36% is of particular interest when used in processed meats. The volatile oil in mustard seed inhibits growth of certain yeasts, molds and bacteria, which enables mustard seed to function as a natural preservative and extends the shelf life of finished foods.

Yellow mustard seed is suitable for a wide range of applications, including dry milling for flour, wet milling for mustard pastes, and whole ground seed for spice mixes, meat processing and other food products. It is the type of mustard seed used for processing into the familiar North American hot dog mustard, which uses the whole seed for a milder product. In processed meats, it is used as a binder and a protein extender, and to enhance the flavour. It is also used in mayonnaise and salad dressings. Dry milled flour is used for condiments and as an ingredient in compounded products. The extracted seed hulls are used for thickening and stabilization in mustard and other prepared foods. Mucilage is a gummy substance found in the seed coat of yellow mustard seed. It absorbs water, keeps meat dry and is a binding and thickening agent in meat and soup. Since there are several varieties of yellow mustard seed grown in Canada, there is a range of mucilage contents available, allowing processors to blend varieties to reach a standard viscosity. Yellow mustard seed can also be ground for use as an ingredient for the prepared meat industry, where it contributes to total protein. As well, the gelling of the mucilage increases water absorption into the product, which provides enhanced economy and improved efficiency in the smooth molding of shaped products. Heat inactivated (spice heat removed) whole ground seed is used as an ingredient in many food products providing colour, flavour, viscosity and emulsification. The oil content of yellow mustard seed is about 27%.

mustard used in European products. The flour is also used in mayonnaise, salad dressing and sauces. The oil content of brown mustard seed is about 36%. The fixed oil content of Canadian brown mustard seed gives no separation problems and the volatile oil content has long been the standard in formulations. Fixed oil is the oil obtained in crushing the seed, whereas volatile oil is a breakdown product from glucosinolates. Volatile oil gives mustard the spicy taste.

Canadian oriental mustard seed varieties have been bred for specific levels of oil and volatility to meet alternative market requirements. High volatility, high oil content oriental mustard seed varieties are suitable for the oilseed demand in the Indian sub-continent, while low volatility, low oil content mustard seed varieties are suitable for dry milling purposes. Stronger flavoured oriental mustard seed varieties are also available if the miller or processor requires it. The average oil content of oriental mustard seed is about 39%.

Marketing

All of the mustard seed produced in Canada is sold on the open market to dealers. There are about twenty dealers across the Prairie provinces who buy, clean, and ship mustard seed to domestic and export markets.

Mustard seed is shipped both bulk and in containers, depending on the volume shipped and the destination. Deliveries to domestic and US customers are in bulk in trucks or in containers which are carried by trucks or trains. Some mustard seed is grown under production contracts, which guarantee a price for part of the production, and the rest is sold on the spot market.

The Canadian Special Crops Association (CSCA) (www.specialcrops.mb.ca) establishes trade rules for domestic trade

and serves as a forum for exporters, dealers and brokers involved in the industry of trading Canada's pulse and special crops, including mustard seed. The CSCA's website includes a section where buyers can submit a request for prices.

The Canadian Grain Commission (CGC) administers quality control standards for mustard seed. There are four grades for each type of mustard seed. In addition, mustard seed can be graded "Sample" if it does not meet the specifications for any of the four grades. Top grades of mustard seed are obtained when seeds are well matured, have good colour with minimal damage, and are free of seeds from volunteer canola plants and weeds such as cow cockle. For further information, or to access the Official Grain Grading Guide, please visit the CGC website: (www.grainscanada.gc.ca)

Domestic Use

Canadian domestic use, which includes food, seed, dockage and waste, accounts for about 25% of the total

World: Mustard Seed Exports					
Calendar Year	1999	2000	2001	2002	2003
	.....thousand tonnes.....				
Canada**	159	159	152	148	122
Russia	3	26	10	13	42
Ukraine	0	0	1	6	36
Czech Republic	23	34	17	18	24
Germany*	7	11	11	17	14
Netherlands*	11	9	7	13	13
India	1	0	7	11	10
Hungary	13	15	8	12	9
United States	3	2	3	10	5
Belgium*	3	2	0	1	4
Romania	3	3	4	3	3
Other	2	4	7	10	12
Total	228	265	227	262	294

* re-exports

Source: FAO, except **Statistics Canada - May 2005

World: Mustard Seed Imports					
Calendar Year	1999	2000	2001	2002	2003
	.....thousands tonnes.....				
Bangladesh	52	57	53	41	54
United States	47	51	49	42	49
Germany	40	46	42	40	42
France	30	31	31	27	30
Netherlands	14	16	16	16	14
Belgium	0	4	4	2	11
Japan	10	9	8	7	8
Nepal	6	4	2	6	9
Austria	6	5	4	5	5
Poland	5	6	4	4	2
Other	31	28	35	46	37
Total	241	257	248	236	261

Source: FAO - May 2005

The difference between imports and exports is partly attributed to the timing of delivery.

Brown mustard seed is ground into flour which is used to produce a hot

use. There is some processing of mustard seed in Canada, concentrating on milling seed for its flour and for condiments. Most of the mustard seed processed in Canada is the yellow type; however some brown and oriental types are also milled mainly to be blended with yellow mustard flour for customers who want a spicier product. Statistics on domestic use are not available. Therefore, domestic use is calculated as a residual after deducting exports and carry-out stocks from total supply.

Exports

Canadian mustard seed exports are mainly in the bulk, unprocessed form. Europe (mainly Belgium, Netherlands, Germany, France and United Kingdom), Asia (mainly Bangladesh, India, Japan, Thailand and South Korea), and the US account for the majority of the exports. Europe imports mainly brown mustard seed, Asia mainly oriental and the US mainly yellow.

For 2004-2005, Canadian exports are expected to increase from 2003-2004 due to higher total supply.

In addition to seed exports, some of the mustard seed flour produced in Canada is exported to the US and other markets.

Prices

Canadian prices are determined on an export basis because Canada exports about 75% of its production. Therefore, they are highly sensitive to the value of the Canadian dollar in foreign markets. Prices of the yellow type are usually higher than for the brown and oriental types. However, since yields of the yellow type are usually lower, earnings per hectare tend to be similar for all three types over the long-term. Since there is no futures market for mustard seed, prices are negotiated directly between the producer, dealer, and customer based on supply and demand factors for each type of mustard seed. The prices negotiated could be for immediate delivery or for delivery at some future date.

For 2004-2005, prices for No.1 grade of all types of mustard seed are expected to average lower than in 2003-2004, because of higher supply.

(excluding India, Pakistan, and Bangladesh) is forecast to decrease by 21% from 2004-2005 to 620,000 t, due mainly to lower production in Canada.

Canada: 2005-2006

Area seeded is estimated to decrease by 26% from 2004-2005 due to expected high carry-in stocks and relatively low prices.

Assuming normal abandonment rates and normal precipitation during the growing season, production is forecast to decrease by 41% to 180,000 t.

Production is expected to decrease for all three types. Assuming normal growing and harvest conditions, average quality is expected to return to normal. Total supply is forecast to decrease by 9%, as lower production is partly offset by higher carry-in stocks. Carry-in stocks are expected to include a large portion of low quality seed. Exports are forecast to increase because of stronger demand and carry-out stocks are forecast to decrease.

The lower supply is expected to support prices, with average prices

Canada: Supply and Disposition of Mustard Seed					
	2001-2002	2002-2003	2003-2004	2004-2005f	2005-2006f
<i>Aug - July crop year</i>					
Seeded Area (000 ha)	166	289	340	317	233
Harvested Area (000 ha)	158	255	328	304	226
Yield (t/ha)	0.66	0.60	0.69	1.00	0.80
.....thousand tonnes.....					
Carry-in stocks	105	33	60	92	185
Production:					
Yellow	51	79	124	126	80
Brown	21	38	67	92	50
Oriental	33	37	35	87	50
Total Production	105	154	226	305	180
Imports	3	9	2	2	2
Total Supply	213	196	288	399	367
Exports:					
United States	46	41	53	55	55
Europe	70	47	45	50	55
Asia	52	23	18	25	35
South and Central America	2	2	3	3	3
Africa and Middle East	1	1	2	2	2
Total Exports	171	114	121	135	150
Total Domestic Use	*9	22	75	79	77
Total Use	180	136	196	214	227
Carry-out Stocks	33	60	92	185	140
Stocks-to-use ratio	18%	44%	47%	86%	62%
Seeded Area (000 ac)	410	714	840	783	576
Harvested Area (000 ac)	390	630	810	751	558
Yield (lbs/ac)	589	535	616	892	714
Average producer price**					
Yellow	\$/t 1,058	694	386	309	342
	\$/lb 0.48	0.315	0.175	0.14	0.155
Brown	\$/t 474	672	386	309	320
	\$/lb 0.215	0.305	0.175	0.14	0.145
Oriental	\$/t 342	430	419	309	320
	\$/lb 0.155	0.195	0.190	0.14	0.145

Source: Statistics Canada and AAFC

f. Agriculture and Agri-Food Canada forecast, May 2005

*Note: Domestic use is calculated residually. For 2001-02, based on export and carry-out stocks data, it appears Statistics Canada's production estimate may be low or carry-out stocks high resulting in a very low residual.

**Saskatchewan, No.1 CAN grade

OUTLOOK

World: 2005-2006

World mustard seed production

increasing for all three types. The price spreads between grades are expected to decrease, assuming a return to normal quality.

The main factor to watch is precipitation during the growing and harvest periods.

Canada: longer-term

There is strong and growing demand for mucilage and plant breeders have responded by developing yellow mustard seed varieties with higher mucilage levels. Three newer varieties, Viscount, Ace and Andante, have mucilage levels which are about 30% higher than traditional varieties. Work is continuing on developing additional varieties. Higher mucilage levels are expected to increase demand for yellow mustard seed, as marketers promote the value of the product to end users. Producers could only receive premiums for growing varieties with high mucilage levels through segregation and identity preservation because there is no way to measure mucilage levels at the plant. However, premiums for high mucilage may not always occur even with segregation and identity preservation if the price of yellow mustard seed is too high, because users of mucilage may switch to substitute products, such as guar gum. There could be one side benefit of increased mucilage levels. Since

mucilage draws water into the seed, it might help germination.

Demand for mustard seed is expected to increase during the next decade due to increased population, increased use of spices and increased demand for other uses such as mucilage.

A potential additional use of mustard seed could be for biodiesel. Oil crushed from mustard seed can be used in the production of biodiesel, a fuel for compression-ignition engines coming from biological sources. However, the mustard seed oil price would have to be competitive with alternative sources, such as soyoil and canola oil. Therefore, biodiesel might become a market for low quality mustard seed.

Demand is expected to grow from end users for identity preservation (IP) to ensure specific quality characteristics. IP systems ensure traceability of product from the end-user back to the producer. It involves documentation for each step of production, handling and processing, as well as production, handling and processing standards, and auditing. Although there will be extra cost in an IP system, it will be an important marketing tool for Canadian mustard seed. The mustard seed industry is examining how the CGC's Canadian Identity Preserved

Recognition System (CIPRS) can assist the industry in the marketing and delivery of special product characteristics. CIPRS certifies companies selling products through identity preserved programs that have effective quality management systems for the production, handling and transportation of several crops, including mustard seed

For periodic updates on the situation and outlook for mustard seed, visit the Market Analysis Division Website for "Canada: Pulse and Special Crops Outlook."

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US FARM SECURITY AND RURAL INVESTMENT ACT OF 2002 (FSRIA)

Under the previous FAIR Act, the national **loan rate** for "minor oilseeds" which included mustard seed was US\$0.093/lb. Under the FSRIA, a separate loan rate was established for mustard seed at US\$0.0988/lb for 2002-2003 and this was scheduled to increase to US\$0.1019/lb for 2003-2004. However, in 2003-2004 a single rate was re-established for all "minor oilseeds", including mustard seed, at US\$0.096/lb. For crop years 2004-2007, the loan rate was lowered to US\$0.093/lb. These rates are for the top grade and there are discounts for lower quality seed. The loan rate varies by county and is highest in North Dakota. The loan rate provides a floor return because if the price is lower than the loan rate, the producer is eligible for a loan deficiency payment. Mustard seed production in the US is mainly in North Dakota and Montana and nearly all of the production is the yellow type. Although average prices paid to producers were above the loan rate during crop years 2002-03 to 2004-05 and producers did not receive a loan deficiency payment, the loan program supports mustard seed production because it provides a floor return in years when prices are low.

Mustard seed is also eligible for the minor oilseeds **direct payment** of US\$0.008/lb. However, this is based on historical seeded area and yields and is theoretically decoupled from the area seeded during the year of the payout. Mustard seed is eligible for the "minor oilseeds" **counter-cyclical** support based on the **target price** of US\$0.098/lb for crop years 2002 and 2003, and US\$0.101/lb for crop years 2004 to 2007. However, in calculating a counter-cyclical payment, the direct payment is first deducted from the target price. Therefore, since the target price minus the direct payment is less or equal to the loan rate or market price, no counter cyclical payment is expected for mustard seed.

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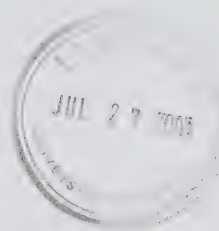
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CHINA: BEER AND MALTING BARLEY

China is the largest producer and consumer of beer and importer of malting barley in the world. Canada is one of the top exporters of malting barley to China where it competes with Australia and the European Union (EU). For 2004-05, as well as 2005-06, Canada is expected to export more than half a million tonnes of malting barley to China worth about \$100 million. Over the medium term, China is expected to remain the largest and among the fastest growing malting barley markets in the world and its import demand is forecast to increase by 20% by 2010-11. However, the implementation of the Developmental Framework for China's Malting Barley Production is expected to increase the growth of domestic production in order to substitute for imports, although at a pace slower than expected in the Framework. This issue of the Bi-weekly Bulletin examines the situation and outlook for China's beer, malt and malting barley industries and the implications for Canada.

The Beer Industry in China

Beer Production

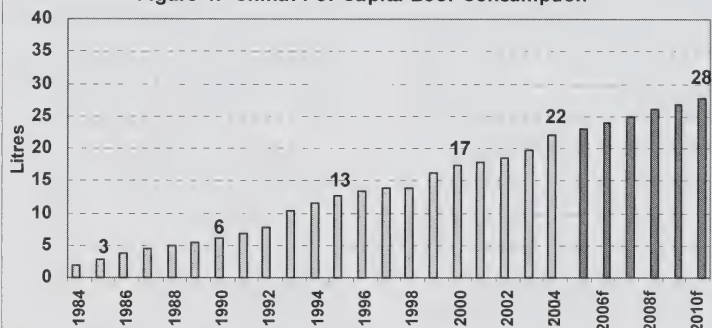
The foundation of China's modern beer industry was set up in the 1950's when new production facilities were constructed in major metropolitan centres across the country. However, the rapid expansion of the industry did not occur until the implementation of the reform and open-door policies in the later 1970s. Data from China's National Bureau of Statistics show that beer production in China has grown at a rate of 18% annually over the last 27 years, from 4 million hectolitres (Mhl) in 1978 to 291 Mhl in 2004. The industry has experienced three stages of development: (a) 1978-1987 with growth of 26% annually when production increased from 4 Mhl to 50 Mhl; (b) 1988-1995 with growth of 16% annually when production increased from 54 Mhl to 154 Mhl; and (c) 1996-2004 with growth of 7% annually and production increased to 291 Mhl. China overtook the United States (US) as the world's largest beer producer in 2002.

Although the percentage rate of growth has slowed down, the annual increase in the volume of China's beer production has accelerated, from an average of 5 Mhl for 1978-1987 to 13 Mhl for 1988-1995, and further to 15 Mhl for 1996-2004.

Beer Consumption

As indicated in Figure 1, per capita beer consumption in China has grown at 12% annually for the past 21 years, from less than 3 litres (L) in 1984 to 22 L in 2004.

Figure 1. China: Per Capita Beer Consumption



Source: China National Bureau of Statistics.
f: Agriculture and Agri-food Canada forecast.

Current per capita consumption is comparable to that in Hong Kong (24 L) and Singapore (20 L), but it is much lower than in Japan (41 L), Canada (68 L) and the US (84 L). China overtook the US as the world's largest beer consumer in 2003. The potential for growth is expected to be substantial, given the large disparity in beer consumption between urban and rural areas and across different regions in China.

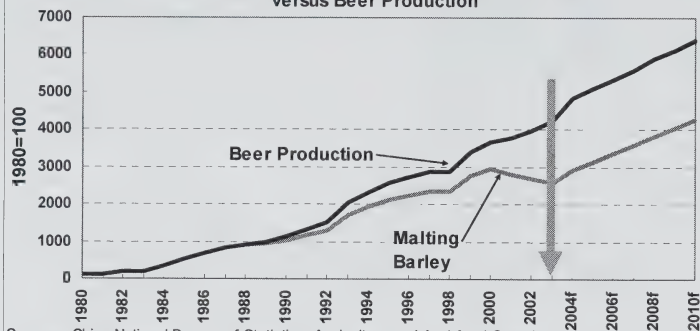
Factors Driving Higher Beer Consumption

Several factors are driving the expansion of the beer industry in China: (a) large increases in population, despite at slow rate of growth; (b) rapid economic growth and increased disposable income; (c) massive migration away from the country to cities and towns; and (d) health consciousness.

In some less developed regions of China, a substantial proportion of the villagers, especially senior citizens, do not drink beer. The process of urbanization, associated with higher income and lifestyle changes, significantly increases the chance either for a potential consumer to become a beer drinker or a drinker to consume more. The rising consumption levels for existing consumers and the enlargement of the consumer base play an equally important role in increasing consumption. The population base of beer consumers in China is estimated by some Chinese analysts to expand at an annual rate of 20%, as a result of higher income and urbanization.

Health consciousness has started to play a more and more important role, especially among the urban population, in

Figure 2. China: Growth in Malting Barley Demand versus Beer Production



Sources: China National Bureau of Statistics, Agriculture and Agri-food Canada.

f: Agriculture and Agri-food Canada forecast.

the switch to beer from traditional Chinese liquors. The share of beer in all alcoholic beverages has jumped from 19% in 1980 to 72% in 2000, while the growth of liquors, with much higher alcohol content, has decreased correspondingly.

The Beer Industry

The rapid expansion of China's beer production has been accompanied by dramatic structural changes in the beer industry. Of most relevance to the demand for malting barley are consolidation, foreign investment and the upgrading of product composition.

Compared to the maturity of the European and North American markets, the beer market in China is still fragmented. Most breweries operate on a regional or sub-regional scale and there are hundreds of brands. However, the industry has been undergoing consolidation since 1988 and this process has accelerated in recent years. The number of breweries has decreased from 813 in 1988 to about 400 at present. The top 10 brewery companies controlled 53% of the market in 2003, compared to only 22% in 1996. The top three companies currently account for about one third of the production.

Giant foreign breweries started entering the Chinese market in the 1980s. The so-called "First Wave" of these entrances was not a success story. This was due mainly to their inappropriate strategies of building up their own facilities and selling their own brands. After years of little progress, the "Second Wave" began in 2002 and foreign investment has resumed playing an important role in the industry. This time, equity acquisition of local breweries, including large and medium sized ones, became the principal strategy. Instead of selling foreign

brands, local brands are kept and most of the transactions involve less than 50% of the share holdings. The total investment involved in these transactions is estimated at US\$700 million for the last two years. International beer giants such as Anheuser-Busch, SAB Miller, Interbrew, Heineken, and Carlsberg have all made their appearance in the Chinese market.

The Chinese beer market has been dominated by low priced products, but the premium products have been rapidly gaining market share. The demand for famous brands, draft beer, specialty beer with juice, beer with health functions and non-alcoholic beer has been rising. On the other hand, consolidation and the participation of foreign companies have significantly improved the industry's ability to develop new products and expand sales.

Consolidation, joint ventures between local and international companies and the upgrading of product mix all lead to increased demand for imported malting barley, at the expense of domestic barley. Joint ventures and top domestic breweries use much more imported barley than their small and medium counterparts. Tsingtao beer Group, the biggest in China with 13% of the market, uses only Australian and Canadian barley in their major brands. The second largest, Yanjing Beer with 10% of the market, uses mainly imported malting barley, except for very small amount of domestic barley immediately ahead of Australia's harvest. CRE Beer, the third largest, is the only large brewery using both domestic and imported malting barley on a regular basis.

Barley Malt and Malting Barley Demand

Declining Ratio of Barley Malt to Beer

The rapid expansion of China's beer industry increased the demand for barley malt, the principal component in beer production. However, the growth of malting barley demand has not been proportional to growth in beer production, especially in recent years. As indicated in Figure 2, while China's beer production increased by a factor of 47 times since 1980, demand for malting barley only increased by a factor of 28. The demand for barley malt is estimated at 2.62 million tonnes (Mt) for the production of 291 Mhl of beer in 2004. This is lower than the record demand for 2.64 Mt of malt in 2000 when only 220 Mhl of beer was produced. Two reasons are responsible for the lower usage of barley malt and malting barley.

Firstly, the substitution of adjunct for barley malt has increased. Chinese breweries have the tradition of using rice or, to a lesser extent, corn as an adjunct in beer production. This creates a special taste favoured by local consumers and, at the same time, reduces barley malt usage and input costs. In recent years when malting barley supplies were short, and malting barley prices were high relative to rice prices, breweries adjusted their production techniques to incorporate more rice in substitution for barley malt. In the last couple of years when rice prices increased more than malting barley prices, substantial amounts of corn and even grain syrups were used as a substitute for barley malt.

Secondly, the original gravity of beer, defined as the amount of malt and adjunct as a percentage of water in wort, has decreased significantly, from 11-12% to 6-7% in recent years. Thus more beer is produced from a given amount of malt and adjunct.

Consequently, the ratio of barley malt to beer is estimated to have decreased from more than 13 kilogram of barley malt for one hectolitre of beer (Kg/Hl) in the 1980s to 12 Kg/Hl in the 1990s and 9 Kg/Hl over the last four years. Thus, one tonne of malting barley currently generates about 90 Hl of beer in China compared to about 75 Hl in Canada.

The Malting Industry

China's malting industry is characterized by low margins, excess capacity, active acquisition and continuous expansion. There are about 200 maltsters in China with a total processing capacity of malting barley estimated at 4.3 Mt. Based on

the share for imports has declined from 70% to 65%.

China has not been, and is not expected to be, a significant player in the international market for barley malt. As a result of China's entry into the WTO, the tariff escalation between barley malt and malting barley decreased but Chinese maltsters, especially those in the coast areas, are expected to maintain their advantage in production costs. This is also consistent with the trend that world capacity for the production of barley malt has been shifting away from the exporting countries of malting barley to the importing countries.

Export Competition

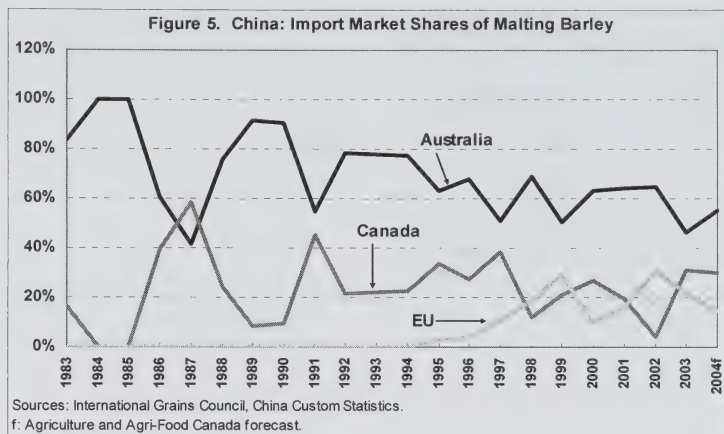
Figure 5 shows the market share by major exporter in the Chinese malting barley market. Between 1980 and 1994, the Chinese malting barley import market was serviced by Australia (73%) and Canada (27%). Australian exports rose from 130 Kt in 1980 to about 1.1 M in 1994, while Canadian exports increased from zero to 307 Kt annually.

The EU joined the competition in 1995 and after three years of robust growth, the EU has captured about 20% of the Chinese market, or about 400 Kt annually, since 1998.

The market share for Australia dropped from 75% over 1980-1994 to 60% over 1998-2004 and the market share for Canada decreased from 27% to 20% over the same periods. In addition to competition, much of the drop for Canada is due to the 2002 drought which sharply reduced malting-quality barley supplies and forced Canada out of the world malting barley market in later 2002-03, as seen in Figure 6. Despite decreasing market shares, Canada's export volume increased from an annual average of 190 Kt over 1988-1992 to 390 Kt over 1998-2004, while annual volume for Australia increased from 640 Kt to 1.26 Mt.

Freight Costs

Australia has a freight advantage over Canada in the Chinese malting barley market because of its proximity to China. In addition, inland transportation costs are also significantly lower for Australia since the production regions are closer to export ports. It is generally believed that the surge in ocean freight rates has had a larger impact on grain shipments from Canada than from Australia, due to longer distance. However, Australia is one of the major exporters of industrial materials to China. The northbound routes from Australia to China are among the busiest and ports are very congested. Therefore,



freight rates for these routes could increase more than those for the North Pacific routes from Vancouver to Chinese ports.

Outlook: 2005 to 2010

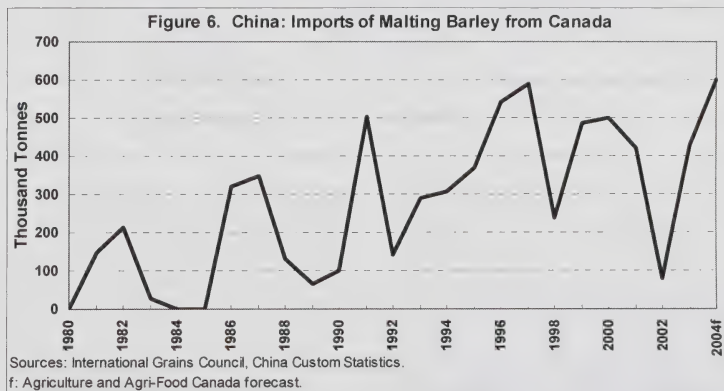
Beer production in China is forecast by AAFC to increase by 4-5% annually over the medium term, from 291 Mhl in 2004 to 300 Mhl by 2005 and 380 Mhl by 2010. The population is projected by the Chinese government to grow at 0.7-0.8%, from 1.32 billion in 2004 to 1.38 billion by 2010. China's urban: rural population ratio is projected to change from about 35:65 in 2000 to 45:55 by 2010, which means another 160 million people living in Chinese cities and towns. Per capita beer consumption is projected to rise by a further 27%, to 28 L by 2010.

Malting barley demand is forecast to increase from 3.3 Mt in 2004-05 to 3.5 Mt by 2005-06 and 4.8 Mt by 2010-11. The conversion rate of barley malt to beer is expected to recover gradually, from 9 Kg/Hl in 2004-05 to 10 Kg/Hl in 2010-11, as the situation of supply shortage and

high prices for malting barley improves and production of premium beer grows faster.

Domestic production of malting barley is forecast to grow by 10% annually, driven mainly by the implementation of the DFCMBP. Production in 2005-06 is forecast to increase to 1.5 Mt, from 1.3 Mt in 2004-05, as area seeded to malting barley in China increases in response to high prices in 2004-05. Production of malting barley is forecast to grow to 2.4 Mt by 2010-11. The share of domestic supply is expected to increase from about 40% of total requirements in 2004-05 to 50% by 2010-11, a substantial increase but still short of the DFCMBP target for 2008. With increased domestic production and improved crop quality, the use of low quality barley in the malting process is expected to decrease.

China's malting barley imports in 2005-06 are forecast to be virtually unchanged from 2004-05 at 2.0 Mt. The continued weakness in the Chinese currency and the high ocean freight rates will make the landed price for imported malting barley



relatively high, although world prices are expected to decrease.

Malting barley imports are projected to reach 2.4 Mt by 2010-11, 20% higher than in 2004-05. Consolidation, foreign investment and product upgrading in the brewing and malting industry are expected to lead to strong import demand for high quality malting barley. Imported

malting barley will continue to dominate the eastern and southern Chinese markets, due to its advantage in price and quality. High costs and capacity constraints in China's transportation and handling system will limit the competitiveness of domestic supplies in these markets.

Canada is forecast to export about 0.5 Mt of malting barley into the Chinese market in 2005-06, slightly less than 2004-05 as Australia's barley production increases from the weather-related low of 2004-05. Canadian exports are projected to increase throughout the medium term. By 2010-11, Canada is projected to export 0.7 Mt of malting barley to China, about 30% of the import market.

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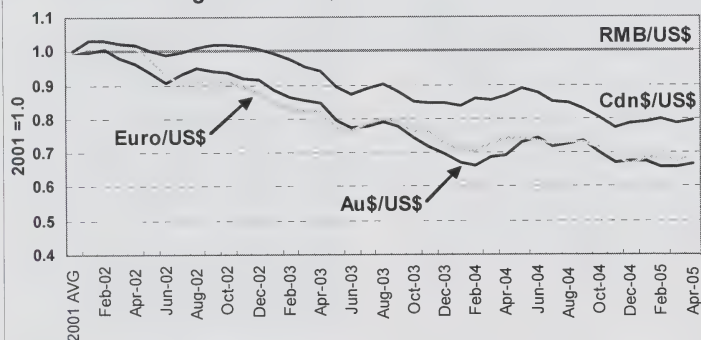
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Exchange Rates and Malting Barley Prices

The value of the Chinese currency is tied with the US dollar and the exchange rate has been around US\$1=8.28 RMB or Yuan since September 1999. For other currencies, such as the Canadian dollar, the exchange rates in RMB will float in relation to their respective values versus the U.S. dollar.

The currencies for the major exporters in the world malting barley market have appreciated substantially against the US dollar and, thus, the Chinese RMB since 2001. The values of the Euro and the Australian dollar have increased by more than 30%, while the value of the Canadian dollar has increased by 20%.

Exchange Rates: US\$ versus Other Currencies



Sources: The University of British Columbia, Sander School of Business, Pacific Exchange Rate Service.

The effect of changes in foreign exchange rates is usually shared by importers and exporters depending on the structure of the market and the capacity for players to respond. On one extreme, if exporters have the market power to increase export prices (in US dollar) the full percentage as the US dollar depreciates, there could be little impact on them and importers will take the full burden. On the other extreme, if importers have the full market power, exporters are not capable of changing export prices, then exporters have to take the full effect. Generally the effect is somewhere between the two extreme cases. As a result of the weakness of the RMB, imported malting barley becomes more expensive in China while returns for Canadian producers are lower.

China's foreign exchange system has been undergoing pressure to change by some of its trading partners, particularly the US. Although the Chinese government has been preparing to move in this direction, it is expected that priority will be given to China's own interests, with respect to the timing and the magnitude of the change. Given the macroeconomic situation in China and the inflow of global speculative capital, the reform is expected to be cautious and gradual.

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beer production in 2004, malt demand is estimated at 2.62 Mt, suggesting overcapacity of more than 30%. The industry consists of maltsters with huge differences in production capacity and technology, from very small floor operations to the largest with the latest equipment in the world. The number of small operations (less than 10 thousand tonnes (Kt)) had dropped from 243 in 2000 to 93 in 2003, while the number of large and medium-sized operations increased from 67 to 85. In addition, there were 24 malting facilities under construction in 2003, most of which are located close to barley producing areas, especially in western and northern China, while most of the existing facilities are in eastern, southern and northeast China.

In China's malting industry, brewery-owned malting facilities have a total processing capacity of 0.5 Mt. Among the independent maltsters, the top 10 have a total capacity of 1.1 Mt. These two groups account for 37% of the total capacity. Medium sized maltsters have a total capacity of 1.20 Mt, accounting for 28%. The total capacity for small maltsters (with a capacity of less than 50 Kt) is estimated at 1.5 Mt, or 35% of the capacity nationwide.

The Use of Low Quality Barley by the Malting Industry

When the supply of malting barley is low, and prices are high, some maltsters, especially the smaller ones in central China that are far away from both import and domestic malting barley sources, use low quality barley to produce malt. Low quality malt is still attractive to regional and sub-regional breweries to produce budget brand beer. It is estimated that at least 0.5 Mt of low quality barley was used in 2003, which includes malting and feed varieties of barley from both domestic and import sources.

Domestic Barley Production and Supply

Production Trends

Barley has not been a major grain in China's recent history and production has been flat over the past three decades, except for a short-term surge in the 1990s. Historically, barley was mainly used for animal feed and, to a lesser extent, human food. Feed demand for barley has declined, due to the rapid reduction in the number of draft animals and the lower feed value of barley compared to corn. Barley production has also been discouraged by slower growth in yields than competitive crops, the status of barley as a rotation crop in many areas and government policies that favour major grains such as wheat, rice and corn.

The demand for malting barley has increased significantly, following the strong growth in beer production. The use of barley for feed has decreased correspondingly. As indicated in Figure 3, utilization of domestically produced "malting" barley has increased by 7% annually, from 0.35 Mt in the later 1980s to 1.35 Mt in the early 2000s and the proportion of the barley crop used for malting has increased from less than 20% to nearly 50%.

Production Geography

Malting barley production in China used to be concentrated in eastern China's Jiangsu and Zhejiang provinces. This is the earliest and, at one time, the largest malting barley production base. However, barley is treated as a rotation crop in this region and freezing in early spring and rain at harvest affect crop quality. As a result, production has been decreasing recently and was about 250 Kt in 2004. This production base is located in a malting barley deficit area dominated by imports.

The northwest production base consists mainly of Gansu and Xinjiang. It is the fastest growing production region, with the best quality crop in China. With a production of 650 Kt, it became the largest malting barley producing region in 2003. However, the base is far away from population centres and high transportation costs are involved. This base mainly services northwest China, and can reach northern and central China. The northeast production base consists of Heilongjiang and Inner Mongolia and mainly services northeast China. Production in 2004 was about 200 Kt. Two other production bases are located in Central China and southwest China's Yunnan province.

Issues

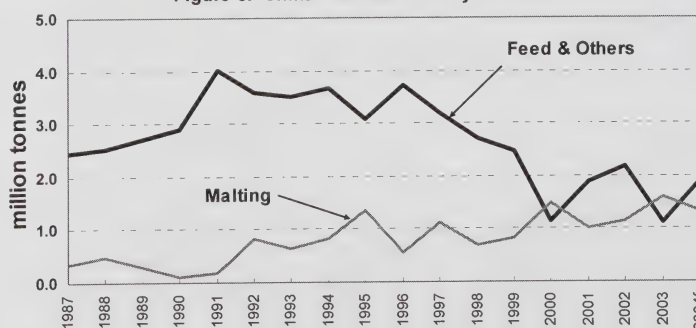
The major issues facing China's malting barley supply chain can be summarized as follows:

- low grain quality and inconsistency of quality with respect to plumpness, extraction rates, test weight, protein content due to a lack of suitable varieties and appropriate cultivation practices, exacerbated by a large number of small farms with different technologies;
- high logistical costs and infrastructure constraints for the rail and highway system;
- post-harvest quality deterioration, and perceived high production costs;
- an underdeveloped quality control system;
- vertical disintegration between barley producers and maltsters, in the transformation of market information and technology; unprotected producers are fully exposed to downward price risks, which intensify year-to-year fluctuation in production and discourage long term growth; upward price risks are faced by maltsters, especially the smaller companies; and
- the need for government policies to promote barley production and marketing, such as seed subsidies, direct support and the waiver of railway construction fees.

The Developmental Framework for China's Malting Barley Production (DFCMBP)

The dependence on imports for two thirds of the total malting barley requirements is perceived as a major concern for the Chinese beer and malting industry. The shortage of overseas supplies and escalation of world market prices are seen as a threat to the development of China's beer industry, especially for small and medium-size breweries and maltsters. Volatility in domestic prices and production puts producers and processors in a risky position. The

Figure 3. China: Domestic Barley Utilization



Sources: China National Bureau of Statistics, Agriculture and Agri-food Canada.
f: Agriculture and Agri-food Canada forecast.

DFCMBP program, introduced in 2004-05, is a joint effort between governments and stakeholders in the malting barley industry to address these concerns by boosting domestic malting barley production to substitute for imports.

The objectives of the program are:

- to raise malting barley area from 42 thousand hectares (Kh) in 2003 to 78 Kh by 2008;
- to increase malting barley production from 1.98 Mt in 2003 to 3.91 Mt by 2008, of which 3.15 Mt is expected to be of malting quality;
- to increase the share of domestic production from 40% of total requirements in 2003 to 70% by 2008; and
- to improve quality so that at least 90% of the production in major production bases reaches the national standards for malting.

To achieve these objectives, the following measures have been, or are to be, taken:

- the establishment of advantageous production bases;
- determination of major varieties by production region;
- extension of cultivation technologies to improve crop quality, increase yields and lower production costs;
- the setup of a quality control system;
- enlargement of production scales;
- vertical integration among industry participants;
- the improvement of quality consistency and reduction of production costs;
- seed subsidies from government;
- preferential loans and taxation policies to assist key maltsters; and
- government assistance for the establishment of malting barley/barley malt production and marketing co-operatives.

Implications of the DFCMBP for Imports

The impact of the program on China's



import demand for malting barley will depend on (1) the extent to which the program can be implemented successfully and (2) how long it will take. However, the target of 70% requirements for 2008 appears difficult to achieve by that date.

Significant progress has been made in the establishment of production bases. Some of the measures, such as government policies and supports, are less difficult to implement than others. However, issues related to variety, quality, costs and industrial structure are much harder to tackle and probably cannot be resolved by the target date.

The regions that are going to benefit first and the most from the DFCMBP are likely to be northwest, northeast and southwest China, where the production bases are located and beer consumption is expected to grow the fastest. The long distance, prohibitive logistical costs, and system constraints are bottlenecks for domestic malting barley to penetrate the largest markets in eastern and southern China. In these markets, imports are preferred for their higher quality and capture a much larger market share. The comparative advantages for imports in

terms of quality and costs are expected to prevail in these regions in the foreseeable future.

The use of low quality barley in the malting process could also impede the ability of domestic supplies to gain market share against foreign imports. A large portion of low quality barley is used in central and western China and by small and medium-size maltsters which are closer to the production bases. Before directly competing with imports, incremental production of high quality malting barley is likely to substitute for domestically produced low quality barley.

Malting Barley and Barley Malt Imports

Current Situation

Malting barley production in China has increased significantly. However, domestic supplies cannot keep pace with the growth in demand. As a result, China started importing malting barley in 1980 and has been the world's largest importer since 1988. Currently, China accounts for about 40% of world imports of malting barley, excluding intra-EU trade.

Figure 4 shows China's malting barley supplies by domestic production and imports. China's malting barley imports had increased from less than 0.2 Mt in 1980 to 1.0 Mt in 1990 and slightly over 2.0 Mt in 2000. Following a peak of 2.3 Mt in 1999, imports have decreased to around 2.0 Mt, with the exception of 2003 when they dropped below 1.5 Mt, as a result of supply shortages worldwide.

However, there has been no indication that imports are gaining market share against domestic supplies. In fact, it appears that the market share for domestic supplies, including low quality barley used for malting, has increased slightly over the last 15 years, to nearly 35% from 30% in the late 1980s, while

China: Beer and Malting Barley				
	1999-2003	2004-05f	2005-06f	2010-11f
Beer Production (Mhl)	230	291	306	383
Per Capita Beer Consumption (L)	18	22	23	28
Malting Barley Requirements (Mt)	3.10	3.25	3.50	4.80
Total Imports (Mt)	1.90	2.00	2.00	2.40
Australia	1.10	1.05	1.15	1.30
Canada	0.38	0.60	0.50	0.70
EU	0.42	0.35	0.35	0.40
Domestic production (Mt)	1.20	1.25	1.50	2.40

Sources: China National Bureau of Statistics, China Custom Statistics and IGC.
f: Agriculture and Agri-food Canada forecast.



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VEGETABLE OILS: Competition in a Changing Market

Over the past decade the world market for vegetable oil (veg-oil) has expanded sharply. This expansion was largely driven by the increased production of palm oil in Malaysia and Indonesia, higher soyoil production in Brazil, Argentina and China and the rise in veg-oil consumption in China and India. World trade also grew sharply since 1994-95 as international trade rules were liberalized and industry invested heavily in the sector. Over the medium term, the world veg-oil sector is projected to continue expanding, although, at a slower pace. This issue of the Bi-Weekly Bulletin highlights issues affecting the soyoil, palm oil, canola/rapeoil and sunflowerseed oil sectors and discusses some factors that will influence the continued growth of the world veg-oil market.

The world market for veg-oil has expanded sharply. Production of the seven major edible oils (soyoil, palm oil, canola/rape oil, sunflowerseed oil, cottonseed oil, peanut oil, coconut oil, olive oil and palm kernel oil) has increased by over one half since 1994-95 to about 107 million tonnes (Mt) forecast for 2004-05.

Over the past ten years, the world veg-oil market has become slightly more concentrated. In 1994-95, production by commodity was: soyoil 30%, palm oil 22%, canola/rape oil, 15% and sunflowerseed oil 12%, with the remaining oils accounting for 21% of the market. By 2004-05, the four major veg-oils accounted for 82% of the market. Palm oil has expanded its market share by one-third, largely at the expense of sunflowerseed oil which declined by one-third. Soyoil and canola oil market share remained constant while the remaining oils accounted for 18% of the total world veg-oil output.

Expansion shifting to emerging economy countries

The growth in the world veg-oil market has occurred at the same time as production was shifting from the northern hemisphere to the southern hemisphere and the expansion in consumption was shifting from North America and Europe to Asia. In 1994-95, world production of vegetable oils was dominated by North America and the European Union (EU) which, between them, accounted for about 30% of the total world production. By 2004-05, the output from these two regions is expected to make up only 23% of the world's veg-oil output.

Since 1994-95, the **production** of veg-oils in the US and the EU ranged from 14 Mt-15 Mt per year, each. By contrast, in China the production of edible oils nearly doubled as it surpassed the US to become the world's largest veg-oil producing country (although in part this may reflect an improvement in

collecting production data as processors increased scale and size). Similarly, in Brazil and Argentina, soyoil production increased by one-half and nearly doubled, respectively. In Malaysia, palm oil production rose by two-thirds as the major investment in replanting plantations began to pay off. In Indonesia, palm oil output rose by two and one half times.

During the same period, **consumption** of veg-oils increased sharply in several emerging economy countries in response to a rise in population growth and disposable incomes. While veg-oil usage also rose significantly among the developed countries, the net effect was a geographical re-distribution of the veg-oil consumption.

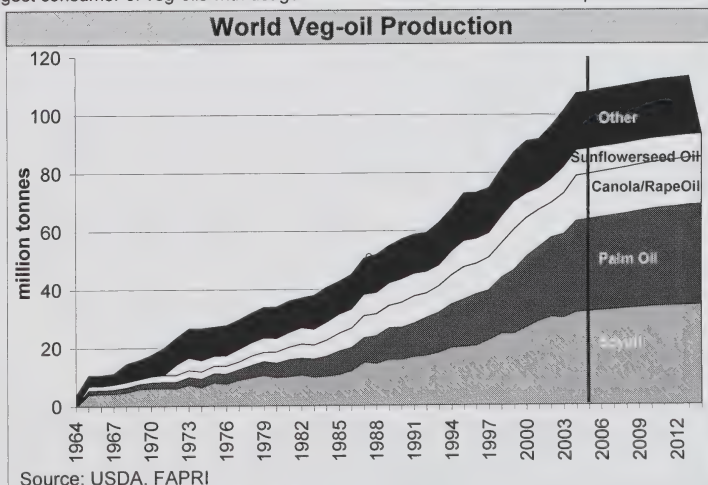
Since 1994-95, consumers in both the US and the EU-15 increased their veg-oil consumption by about one-quarter, while Chinese disappearance nearly doubled. India has emerged as the world's fourth largest consumer of veg-oils with usage

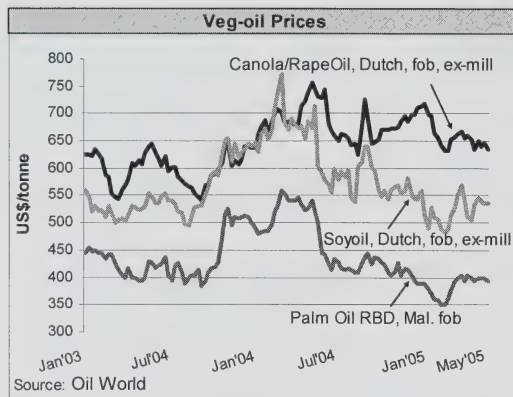
rising by more than one-half over the past decade. While, smaller in size, consumption in countries such as Pakistan, Malaysia, Indonesia and Mexico has also increased sharply

Growth based on a number of factors

The growth in the world veg-oil market has been impacted by numerous changes in national economic, agricultural and trade policies, economic and financial crises and currency fluctuations. The cumulative impact of these changes was to remove a number of restrictions to allow crushers to respond to increased consumer demand by the increasing production and trade of veg-oils among a number of countries.

Loosely speaking, the growth of the vegetable oil industry began in the early to mid-1970s when a series of events, such as the failure of the Peruvian anchovy catch, inflation in agricultural commodity prices, improved processing technology and rising North American and European incomes





raised the demand for vegetable oils. This growth was further supported during the 1970s when the US boycott on soybean sales to the former Soviet Union had the unintended result of expanding soybean production in South America.

Since 1994-95, veg-oil **production** increased sharply when, as the result of a series of policy changes and currency fluctuations, the processing industry responded to growing demand by expanding processing facilities in emerging economy countries. The sudden devaluation of the Malaysian Ringgit, Brazilian Real and Argentine Peso, made the production of palm oil, soybeans and soyoil more attractive in the respective countries. The expansion in veg-oil production in these

domestic production of veg-oils fell short of domestic demand and China had to depend heavily on imports to make up the shortfall. With China being largely self-sufficient in soybean meal, the government imposed a 13 % value added tax (VAT) on meal imports. This is supporting the domestic production of soyoil. Given the relatively low oil content in soybeans, China then increased imports of soyoil to satisfy the unfulfilled domestic demand, to the point where the country accounts for 30% of the world trade in veg-oil. Per-capita consumption of veg-oils is only 15 kg compared to 34.7 kg in the US and 20 kg in Mexico. This suggests that there is ample room for growth in the Chinese market and that the country will remain a major importer of veg-oils for the foreseeable future.

countries was facilitated by the availability of outside credit at the same time domestic credit was tight. In South America it has been estimated that industry traders cover about 50% of the financing required for the soybean crop, especially in the frontier regions where opening costs are much higher.

While production was expanding, the **demand** for veg-oils was increasing in China. Although China is the worlds' third largest oilseed producer,

The spurt in world **trade** was supported, in part over the past decade, by the strength of the US dollar against most major currencies. This gave emerging economy countries a competitive advantage by artificially reducing prices compared to US soybeans and soyoil. Following the 18% devaluation of the US dollar against the European Euro since January 2003, along with other major currencies, although it remains pegged to the Chinese renmbi, this form of support for veg-oil production and exports to emerging economy countries has been reduced.

Soyoil: Value and versatility supports growth.

Over the past decade, the **production** of soyoil has increased by 60%. Although the US remains the largest producer of soyoil, output increased by only 20% since 1994-95, despite a 25% increase in the supply of raw soybeans during that period. Similarly, the production of soyoil remained stagnant in the EU-25 at around 2.5 Mt, annually. The major growth in soyoil production occurred in China, Brazil and Argentina which increased the official soyoil output by 450%, 50% and by over 300%, to 5.2 Mt, 5.7 Mt and 4.7 Mt, respectively.

The growth in soyoil **consumption** was led by the tripling of Chinese soyoil disappearance to 7.5 Mt annually for 2004-05. The US remains the worlds' largest consumer of soyoil using slightly under 8 Mt annually. Brazil, India and the EU-25 consume about 3 Mt, 2.5 Mt and 2 Mt, respectively. The remainder of the soyoil is consumed among a widely dispersed number of countries.

Largely due to the expansion of soyoil production in South America and the growth in Chinese demand, **trade** in soyoil increased by 60% over the past ten years. The growth in trade was facilitated by changes in Chinese import regulations, low ocean freight rates and by the 72,000 tonnes per day expansion in oilseed crushing capacity in Brazil and Argentina.

The expansion of the world soyoil sector is forecast to continue but at a slower pace. The production and consumption of soyoil is forecast to rise by about 8% over the **medium term**. The rate of growth will be affected by how fast the Brazilian soybean sector expands with another 90 million hectares reportedly available for seeding, expansion will be limited by economic and infrastructure constraints. Recent events suggest that the rate of expansion will decrease for 2005-06 because of low market prices for soybeans in combination with higher input costs.

A recent **cost of production** analysis for soybeans indicates that Argentina and Canada have a cost advantage in growing and delivering soybeans into the EU. While Brazilian producers have low land costs,

A selected history of events affecting world veg-oil production and trade

1970s	Malaysia began replanting rubber plantations into palm oil Peruvian anchovy catch failed World grain and oilseed prices rose sharply US embargoed soybean exports → soybean planting began in Brazil
1980s	Soyoil production expanded in US Soybean production expanded in South America
1994	Brazil implemented Real Plan, including removal from market management
1995-96	Brazil reformed agricultural policy/removed export tax on soybeans Argentina taxed soybean exports but offered rebates on soyoil and soy meal US FAIR Act removed program restrictions on soybeans, introduced marketing loan rates and loan deficiency payments for oilseed crops
1997-98	Asian financial crisis' and devaluation of the Malaysian Ringgit Devaluation of the Brazilian Real
1998-99	China enforced regulations governing veg-oil imports Agenda 2000, hectare limits established under Blair House Agreement gradually being phased out
2000-01	BSE EU ban on animal meal China entered World Trade Organization Devaluation of the Argentine Peso
2003-04	EU expansion EU decoupled grain and oilseed production from payment Devaluation of the US Dollar EU biofuel directive/EU energy taxation directive Trans-fat issues/Avian Bird Flu

Source: AAFC, based on a Survey of Documents

CANADA: CANOLA OIL SUPPLY AND DISPOSITION			
August-July Crop year	2003- 2004	2004- 2005e	2005- 2006f
... thousand tonnes ...			
CANOLA SEED			
Crush	3,390	3,100	3,100
CANOLA OIL			
Carry-In Stocks	25	30	30
Production	1,395	1,342	1,302
Imports ¹	10	10	10
Total Supply	1,430	1,382	1,342
Exports ¹	1,015	900	850
Domestic Use ²	385	452	462
Total Use	1,400	1,352	1,312
Carry-Out Stocks	30	30	30
¹ Includes crude and refined oil but excludes hydrogenated oil and processed products (margarine, salad oil and shortening). ² Domestic Use = Total Supply minus Exports minus Carry-Out stocks. Domestic use includes exports of processed products. e: estimate, AAFC May 2005 f: forecast, AAFC May 2005 Source: Statistics Canada			

Overall, **palm oil** is regarded as the price leader and is favored for its use in baked goods with the drawback of being solid at room temperature and high in saturated fats. Further growth is expected as consumer concerns over saturated fats decline and palm oil expands its geographical reach into Europe from Asia. However, as it is produced in a small geographic region, it remains vulnerable to localized events such as drought, disease or civil unrest.

By contrast, **soybean oil** is higher priced than palm oil and is well regarded for its assurance of supply and its adaptability. For example, in the US it is used in a wide variety of end products from salad and cooking oils, baking and frying fats and in margarine. As the middle priced oil, soybean oil remains vulnerable to competition from the lower priced palm oil and to the health concerns expressed about all veg-oils. Given the large area of land available for conversion into soybean fields in Brazil, the outlook for further expansion is bright. Currently, established crushers in industrialized nations are expected to face increased competition from palm oil and from newly expanded soybean processors in developing nations.

Canola/rape oil has historically commanded a price premium in the world vegoil market compared to the previous two veg-oils largely on the perceived health benefits of being low in saturated fats. With the expansion of the world veg-oil sector, competition from other veg-oils has increased while the output of canola/rapeoil has remained stable. The usage of canola/rapeoil is projected to grow with the expansion of biodiesel usage in the EU-25 with further growth in North America awaiting the development of low-lin, high-

oleic, varieties. Canola/rape oil faces the challenge of retaining its image as a "healthy" oil as concerns over trans fats rise while falling over saturated fats.

Canada: Outlook for canola oil and soyoil

Canada produces about 1.6 Mt of veg-oil annually, of which 1.3 Mt is canola oil and 0.3 Mt is soyoil. The majority of the canola oil is produced in western Canada and all of the soyoil is produced in eastern Canada. Since 1994-95, the production of soyoil and canola oil have each increased by 30%, due to increased crush capacity and seed supplies.

For 2004-05, Canadian crushers have had to contend with unusually high chlorophyll levels in the canola which slows down the refining process and

increases processing costs. The high chlorophyll levels were a result of the delayed seeding, unusually cool growing condition and mid-August frost that struck a wide swath of the Canadian prairie region. According to the Canadian Grain Commission harvest survey, 38% of the canola samples submitted graded No. 2 or lower compared to the less than 10% received during a typical year. The problem was most severe in Saskatchewan where 47% of the samples received graded number No. 2 or lower.

For 2005-06, canola oil production is forecast to remain stable at 1.3 Mt, as crushers maintain the crush pace in response to increased supplies of high quality canola, reduced competition from burdensome US soybean supplies and increased world demand for veg-oils in general. This forecast assumes a conversion factor of 0.42 and a normal quality crop. Crush margins are expected to remain near current levels as pressured veg-oil prices offset an expected decline in raw seed prices. Crush capacity utilization is expected to remain at about 75% for canola and around 80 % for soybean production. Canadian canola oil exports are expected to fall to about 0.85 Mt, with the US representing about three quarters of total trade. The price of canola oil crude, in-store Vancouver, is forecast to average C\$700-750/t for 2005-06, versus C\$745/t for 2004-05.

By contrast, Canadian soybean production for 2005-06 is forecast at 0.3 Mt, based on an expected increase in soybean crush of 1.8

Mt as a result of stable crush margins, ample supplies of raw soybeans and reduced competition from US soybean. Imports of soybean into Canada are projected to decline while domestic usage of soybean remains stable. The benchmark farm price of soybean, simple average DeCatur is forecast by the USDA to decline to US\$0.20-0.23/lb (C\$550/t-C\$650/t) for 2005-06.

Medium Term Outlook: More growth and volatility

Over the medium to long run, the market for veg-oils is projected to grow as incomes rise in Asia and more land is seeded to soybeans in South America and to palm oil in Indonesia. The world veg-oil sector is forecast to become more competitive at the same time it becomes more concentrated. The world oilseed market will continue to be affected by a series of economic, policy and monetary shocks although the timing and impact remain unknown.

Some upcoming policy changes are expected to affect the veg-oil market. The World Trade Organization (WTO) is expected to reach an agreement within a couple of years that will gradually reduce tariffs and liberalize trade in veg-oils. The International Association of Seed Crushers is expected to press for greater trade liberalization at the DOHA round of talks. Econometric analysis conducted in Canada indicates that reducing tariffs on veg-oils in importing countries results in a modest expansion of the world veg-oil production and trade.

World: Vegetable Oils: Situation and Outlook (million tonnes)			
	2003- 04	2004- 05e	2005- 06f
Carry-In Stocks	6.82	6.82	7.25
Production			
Soy	29.99	31.90	33.62
Palm	28.78	31.58	32.97
Canola/Rape	14.16	15.92	15.56
Sunflowerseed	9.16	9.03	9.79
Other	18.51	19.48	19.48
Total Production	100.51	107.91	111.42
Total Supply	107.15	113.95	118.67
Trade			
Soy	8.58	9.50	10.11
Palm	21.11	22.63	23.94
Canola/Rape	1.25	1.31	1.39
Sunflowerseed	2.58	2.36	2.60
Other	4.43	6.77	4.53
Total Trade	38.39	42.57	42.57
Consumption	98.44	106.96	109.99
Carry-out Stocks			
Soy	1.55	1.59	1.77
Palm	2.46	2.68	2.68
Canola/Rape	0.49	0.63	0.49
Sunflowerseed	0.51	0.48	0.47
Other	1.81	1.61	1.56
Total Carry-Out Stocks	6.82	7.25	6.96

Source, e: USDA f: AAFC

Another policy unknown is the US Farm Bill presently being negotiated and slated for adoption in 2007. Previous farm bills, especially in the early to mid 1990s, resulted in a significant increase in US soybean

production. While the contents and implications of the present Farm Bill are still being negotiated, in general it appears that support for soybean production will remain stable or be scaled back and is most

unlikely to be increased. The impact on US soybean area as a result of these changes remains unknown.

Factors to Watch: More Change Expected in the Veg-oil Market

Over the next decade, world markets for vegetable oils are expected to grow while the industry continues to consolidate in an increasingly competitive environment, according to analysis conducted by Rabobank. The major factors include the continued shifts in the production of veg-oils, the growth of the Asian economies, consumer concerns, changing power relationships along the food value chain and the development of non-food markets.

Growing income and population in Asia to drive demand

The growth in Asian populations and incomes over the next ten years is expected to support the expansion of the world veg-oil market. By 2015, the Asian population is forecast to increase by 11%, reaching 4.045 billion people, equal to 56% of the world population. More importantly the Asian economies are expected to be among the world's fastest growing. In 2005, the economies of China and India are projected to grow at over 50% and 90% of the world average, respectively.

At lower economic levels, as per capita income grows, the consumption of vegetable oils grows at a rapid pace. Once per capita income reaches US\$5,000 the growth in usage begins to level off. Per capita income in most of the Asian economies and in South America is below that level. In low income countries, veg-oil consumption is expected to increase at about 0.5% for every 1% rise in incomes. In China, urban incomes have tripled in the past decade, while rural incomes have grown at twice that rate. By 2004-05, more than 40% of China's population lives in towns and cities, while 1% of the country's population makes the move from country to city every year. Chinese imports of palm oil, soyoil and canola/rapeoil are projected to grow by over 5% annually until 2014, implying annual imports in excess of 10 Mt. As well, veg-oil imports to India may rise sharply over the medium term in response to increased incomes and policy changes.

Growing Concerns over health and food safety

Health and food safety are increasingly becoming more important for consumers, especially in the developed markets or market segments. Growing health concerns about trans-fatty acids are expected to pose a threat to the soyoil in the short to medium term. Transfat labelling requirements have been or will shortly be enacted in Denmark, Canada and the United States. Concerned about consumer reactions, many food companies have begun to reformulate their products to eliminate or reduce trans-fatty acid levels. The oilseed industry has responded with the development of new seed varieties and processing technology. In the short run, this issue will cause some adjustment in the market but over the medium to long run the industry is expected to manage the situation.

For 2005-06, in Canada the production of low lin-high-oleic, canola oil, which is low in trans-fats, is expected to reach 0.2 Mt based on estimates that 8% of the canola crop will be seeded to low trans-fat varieties.

Retailers increasingly setting rules for marketing veg-oil products

As retailers consolidate, and their market power grows in many national markets, retailers are increasingly setting the rules and standards for marketing food products including for veg-oil products. Often, these are more stringent than government standards and they include traceability requirements. The increased competition in the retail sector has pressured prices downwards through the food value chain. Near the bottom of the chain, crushers and refiners are increasingly being caught in a cost-price squeeze as they are essentially price-takers with regards to oilseeds.

In response, veg-oil companies are following two strategies: (1) selling in bulk and looking to achieve a low-cost leadership position and (2) developing strong consumer-focused brands. While branded oil is important in the EU and North America, it is also growing in importance in developing countries like India where it is estimated that branded oil accounts for almost 9% of the market and by 2014, it is projected to rise to 12%.

Industrial markets continue to grow

The market for biodiesel continues to grow and will be determined to a large extent by government incentives, tax exemptions, petroleum prices and in some cases by regulations for mandatory inclusion. The market for biodiesel is growing the fastest in the EU where biodiesel consumption could rise to 4-6 Mt by 2010. Brazil has also expressed interest in implementing an extensive biodiesel program while countries like Thailand, Malaysia and India have launched plans or programs to develop the biodiesel sector based primarily on palm oil.

For the first time in history, China has switched to subsidizing its agricultural production rather than taxing it. Given the various economic, administrative and infrastructure constraints faced by the country, the impact on the domestic veg-oil market is uncertain. Industry analysts believe that China is prepared to offer few concessions on tariffs in the Doha round of talks.

In conclusion, the cumulative impact of these policies and other unanticipated changes remains unknown. The veg-oil market is expected to continue to expand in the emerging economy countries while remaining relatively stable in fully industrialized countries. As the market matures, the focus for price discovery will increasingly switch to Asia and South America. The industrial concentration is expected to increase although there is some concern that processing capacity is overbuilt, forcing a possible rationalization of the crushing sector over the medium term. World trade in veg-oils is expected to grow over the medium term and may soon surpass world trade in wheat, by value.

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the cost of fertilizer is increasing and they are still constrained by high transport costs in getting the soybeans to port. US soybean producers have the highest production cost per tonne because of the high price of land.

Palm Oil: Driving Growth Through Low Prices

Since 1994-95, world production of palm oil has expanded sharply, to the point where it slightly trails, and is expected to surpass the output of soyoil. Production is highly concentrated in Malaysia and Indonesia. In Malaysia, palm oil production has nearly doubled over the past ten years because of the large scale increase in harvested area. With suitable area for further expansion becoming scarce, the expansion in palm oil production has shifted to Indonesia which has almost tripled its output over the past ten years. The growth in the palm tree area has been driven by the low operating costs compared to competing veg-oils. Investing in palm trees is capital intensive with a five year lag before production begins, but subsequent costs largely involve the cost of harvesting and on-going fertility.

The consumption of palm oil has increased sharply since 1994-95. The major consuming countries; India, the EU-25, China, Indonesia, Malaysia and Pakistan account for about 60% of disappearance with the remainder widely dispersed among numerous countries. As the major user, India consumes 13% of the world's palm oil while China uses 11%. Consumption is concentrated in the Asian countries, with the exception of the EU which is increasing imports to offset the shortage of rape-oil in response to shortages caused by increased bio-fuel consumption.

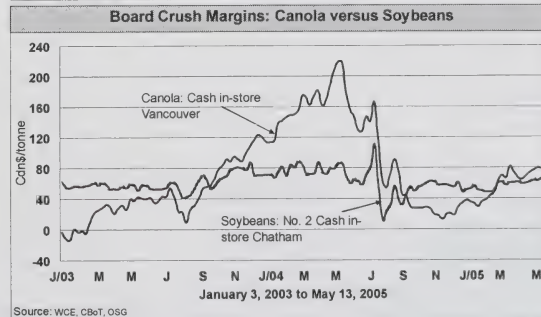
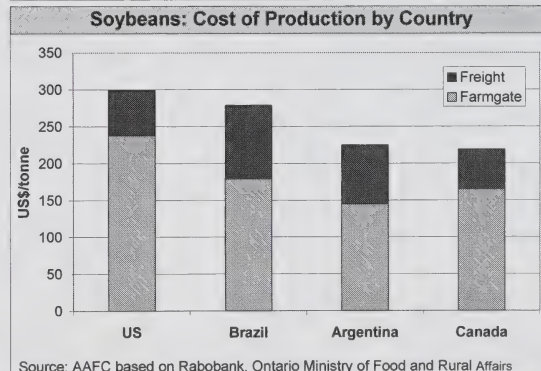
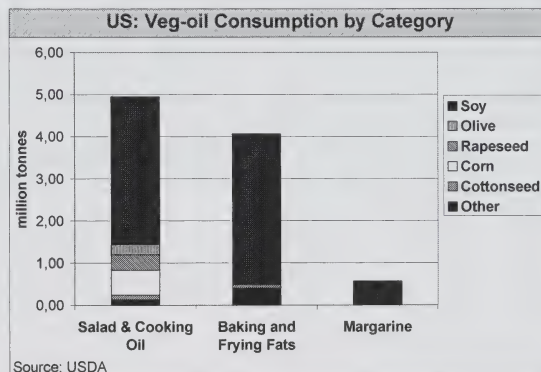
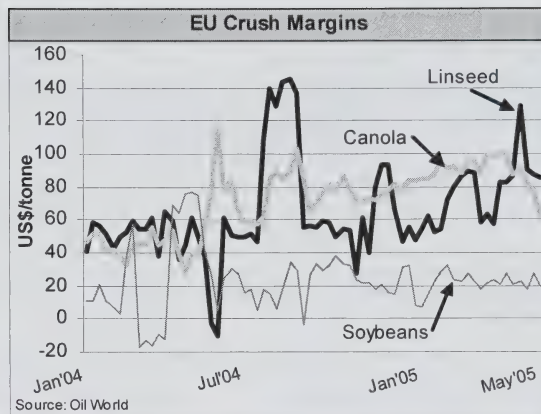
In response to the concentrated production of palm oil and its diversified usage, about two-thirds of production is exported with palm oil accounting for over one-half of the world trade in veg-oils. Estimates derived by industry analysts suggest that the international palm oil prices trade at up to a US\$120/t discount to soyoil due to differential tariffs in India, of 66% for soyoil and 45% for palm oil. Despite importing only 18% of the world's palm oil and 11% of the world's soyoil, the widely quoted analysis states that this differential in tariffs is sufficient to pressure world palm oil prices.

The expansion in world palm oil production is forecast to continue at a slower pace over the medium term as planting of new trees is slowed by low veg-oil prices. Output is forecast to rise by 10% by 2014-15.

A Roundtable on Sustainable Palm Oil Production was recently announced as a joint EU-Malaysian environment preservation initiative to support the production of palm oil in ecologically sensitive regions. Some of the projects approved under the Roundtable were: (1) to construct a functional Identity Preserved system for sustainable Palm Oil usage in European margarine, (2) building Palm Oil Supply Chains and (3) to fund a project to reduce tiger attacks on livestock and humans. In addition, Malaysia recently announced success in cloning palm oil trees, which could increase yields by up to 30% and in the production of Red Palm Oil, which is low in saturated fat and does not require hydrogenation.

Canola/rape oil: Premium-priced and focused on health and biofuel

Since 1994-95, world production of canola/rape oil has increased by about 50% on steady growth. The largest increase occurred in China where output rose by 80% to about 4.5 Mt expected for 2004-05. Smaller increases occurred in the EU-25 and Canada where production increased by about 25% respectively. Production of canola/rapeoil in India and Japan remained stable or decreased slightly.



China had the largest increase in canola/rapeoil **usage** and for 2004-05 is expected to consume 4.8 Mt of canola oil. In the EU-25, the consumption of canola/rapeoil is also expected to reach 4.8 Mt for 2004-05, with most of the rise due to its increased use in biofuels. World **trade** in canola/rapeoil declined by about one-third largely due to decreased EU exports. World production of canola/rapeoils is projected to increase marginally over the **medium term**.

Over the past decade, canola/rapeoil had positioned itself as a healthy veg-oil, low in saturated fats, and good for human health. During the early to mid 2000s, consumer concerns over **trans-fatty acids**, generated when the canola/rapeoil is hydrogenated, challenged the canola/rapeoils healthy image. During the same time frame, **biofuel** production began to expand rapidly in the EU-25 as the Union sought to reduce its dependence on fossil fuels and to find a market for oilseeds grown on set-aside land. Since 2000, the production of biodiesel quadrupled in the EU and is estimated to

account for 32% of EU-25 rapeoil consumption. In Canada, biofuel production remains at a standstill, with large scale government support required to build a biodiesel plant in western Canada.

Sunflowerseed oil: pressured by high costs

Similar to canola/rapeseed, sunflowerseed contains 50% oil and tends to be crushed close to its growing area. Prices are determined by the world vegetable oil market, unlike the preceding vegoils, there is no one country that dominated production. Unlike the previous three veg-oils, the **production** of sunflowerseed oil has remained stable at slightly under 9 Mt for the past decade. In order of size, the largest producers of sunflowerseed oil are the EU-25, Russia, Ukraine, Argentina and the combined countries of central Europe. The **consumption** of sunflowerseed oil is highly dispersed, with the EU-15 and Russia being by far the largest consumers, with Turkey, Ukraine, India, Romania, South Africa and Argentina also being significant

users. The demand for sunflowerseed oil is expected to grow moderately in the EU-25 and Eastern Europe while consumption in other regions declines. Ukraine is expected to surpass Argentina as the world's largest sunflowerseed oil exporter while Russia will shift from being an importer to an exporter of sunflowerseed oil.

Sunflowerseed oil is perceived as a high quality vegetable oil and trades at a premium to other veg-oils. However, future growth is expected to be constrained as it lacks the competitive cost structure of competing soyoil and palm oil. Sunflowerseed oils is likely to command only a small portion of the world veg-oil market.

Competitive strategies include price and product differentiation

Over the past decade, the world veg-oil market became more competitive with the major veg-oils increasingly differentiating themselves and, in the process, many are repositioning and re-imaging themselves.

How the Oilseed Industry is dealing with trans-fatty acids

Stage/method	Developer/company	Characteristics	Commercial Brands
Seeds			
High Oleic canola	Cargill Dow AgroSciences	Increases resistance to oxidation and heat	Clear Valley™ and Odyssey™ oils Transend™ shortening Natreon™
Mid-oleic sunflower	Almost all sunflower seed companies	No hydrogenation and less than 10% saturated fat 65% monounsaturated; 26% polyunsaturated; 9% saturated	
High-oleic sunflower		High Stability. No need for hydrogenation. At least 77% monounsaturated	High Oleic Sunflower Oil™
Low linolenic soybeans	Iowa State University Monsanto Pioneer	Eliminates need for hydrogenation	VISTIVE™
Palm Oil	Loders Crokian Cargill	Premise: Consumers are more concerned with trans fatty acid than with saturated acids.	Sanstrans™ frying oils and bakery shortenings TransAdvantage line
Process			
Enzyme inter-estification	ADM	Rearranges fatty acids on the glycerol backbone. Products are similar to those obtained via hydrogenation but has little or no TFA	NovaLipid™ line
Use of emulsifiers	Danisco	Reduces TFA content and allows the use of non-hydrogenated oil	Benefat salatrim™
Use of stearic acid	Degussa Food Ingredients	Fully hydrogenated acid blended with soyoil and short chain organic acids	Benefat salatrim™
Use of antioxidants		Allows use of unsaturated oils without compromising product stability	Emulzym™
Improving hydrogenation	Bunge	Use of a different catalyst and set of conditions. Reduces TFA content by 75%.	Vream Right™ – all purposed shortening Vreamay Right™ – cake and icing shortening
	Southern Illinois University	Hydrogenation under low temperatures. Reduces TFA content by 80%	
End Product			
Production and marketing TFA-free/reduced products	Most consumer product companies as well as fast-food chains	Minimizes TFA in the final product	n/a
Source: Rabobank			



CANADA: PULSE AND SPECIAL CROPS OUTLOOK

May 31, 2005

For 2005-06, total area seeded to pulse and special crops in Canada is forecast to decrease by 6%, from 2004-05, as increases for lentils, dry beans, sunflower seed and chickpeas are more than offset by decreases for dry peas, mustard seed and canary seed. Statistics Canada's (STC) seeding intentions survey, conducted during March 14-31 and released on April 21, provided estimates for most pulse and special crops by province, but in some cases the area seeded has been forecast by AAFC. The actual seeded areas may differ from the intentions due to changes in the market outlook and expected prices, producer reaction to the STC seeding intentions report and soil moisture conditions at the time of seeding. Overall, seeding progress has been at a normal rate and is mostly complete except for dry beans, sunflower seed and buckwheat. These crops are normally seeded later, but in eastern Manitoba there were additional delays caused by wet weather. It is assumed that precipitation will be normal for the growing and harvest periods. Trend yields are assumed for both western and eastern Canada, as soil moisture reserves are generally normal, although there are dry areas in southern Alberta. It has been assumed that the abandonment rate and average quality will be normal.

Total production in Canada is forecast to decrease by 12%, from 2004-05, to 4.63 million tonnes (Mt). Total supply is expected to increase marginally to 5.81 Mt as higher carry-in stocks more than offset the decrease in production. Exports are forecast to increase moderately due to stronger demand, while domestic use is expected to be similar to 2004-05 because higher average quality reduces dockage and non-traditional use. Carry-out stocks are expected to decrease. Average prices, over all types, grades and markets, are forecast to increase for chickpeas, mustard seed and canary seed, decrease for lentils, dry beans and sunflower seed, and be the same for dry peas and buckwheat. However, prices are expected to be sensitive to any production problems. The main factor to watch will be precipitation during the summer and fall in Canada. Other factors to watch are the exchange rates of the Canadian dollar against the US dollar and other currencies, ocean shipping rates and growing conditions in major producing regions, especially United States, European Union, Turkey, India and Australia.

DRY PEAS

For 2005-06, production and supply are forecast to decrease due to a 2% fall in seeded area and lower trend yields. Production is expected to decrease for yellow, green and other types. World supply is expected to decrease marginally to 12.7 Mt and use is forecast to increase slightly, resulting in lower carry-out stocks. Canadian exports are expected to remain stable, but domestic use is forecast to increase due to stronger demand in the feed sector. Carry-out stocks are forecast to decrease, with a s/u of 13%. The average price, over all types, grades and markets, is forecast to be the same as in 2004-05, in line with the relatively stable world supply.

LENTILS

For 2005-06, production is forecast to decrease, as a 4% rise in seeded area is more than offset by lower trend yields. Production is forecast to decrease for large, medium and small green types, but increase for the red type. Supply is expected to increase as higher carry-in stocks more than offset the fall in production. World supply is forecast to increase by 6% to 4.1 Mt due to higher carry-in stocks. Although world use is expected to increase, carry-out stocks are forecast to rise. Although Canadian exports are expected to increase due to higher demand, carry-out stocks are forecast to rise, with a s/u of 31%. The average price, over all types and grades, is forecast to decrease slightly from 2004-05, as pressure from higher world supply is mostly offset by higher average quality.

DRY BEANS

For 2005-06, production and supply are forecast to increase, due to an 18% rise in seeded area, lower abandonment and higher trend yields. Production is expected to increase for all classes, including white pea,

pinto, black, dark and light red kidney, cranberry, Great Northern, small red and pink. In the US, production is forecast to increase by 37% to 1.07 Mt, while supply increases by only 10% to 1.15 Mt due to lower carry-in stocks. Canadian exports are forecast to increase due to higher supply. Carry-out stocks are expected to increase, with a s/u of 5%. The average price, over all classes and grades, is forecast to decrease due to the higher supply.

CHICKPEAS

For 2005-06, production is forecast to increase, as a 15% higher seeded area and lower abandonment more than offset lower trend yields. Production is expected to increase mainly for the large kabuli type, with only minor increases for the small kabuli and desi types. Supply is forecast to decrease due to lower carry-in stocks. World supply is expected to decrease marginally to 8.8 Mt. Canadian exports are forecast to remain stable, while carry-out stocks remain at a low level. The average price, over all types, grades and sizes, is forecast to increase due to higher average quality.

MUSTARD SEED

For 2005-06, production and supply are forecast to decrease because of a 26% fall in seeded area and lower trend yields. Production is expected to decrease for all types, yellow, brown and oriental. Exports are forecast to rise due to higher demand and carry-out stocks are forecast to decrease, with a s/u ratio of 62%. The average price, over all types and grades, is expected to increase due to the lower supply.

CANARY SEED

For 2005-06, production is forecast to decrease due to a 50% fall in seeded area. World supply is forecast to decrease by 14%

to 350,000 t. Canadian exports are expected to increase due to higher demand and carry-out stocks are forecast to decrease, with a s/u ratio of 45%. The average price is forecast to increase slightly because of the lower supply.

SUNFLOWER SEED

For 2005-06, production and supply are forecast to increase due to a 36% rise in seeded area, lower abandonment and higher trend yields. Production is expected to increase for both types, confectionery and oilseed. US supply is forecast to increase by 48% to 1.62 Mt. World supply is expected to increase slightly to 27.9 Mt. Canadian exports and domestic use are forecast to increase because of the higher supply. Carry-out stocks are expected to increase, with a s/u of 12%. The average price, over both types and all grades, is forecast to decrease because of the higher supply in US and Canada.

BUCKWHEAT

For 2005-06, Canadian production and supply are forecast to increase, with a stable seeded area, lower abandonment and higher trend yields. Exports are forecast to increase and carry-out stocks are expected to be very low. The average price is forecast to be the same as in 2004-05, as support from lower world supply is offset by higher Canadian supply.

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CANADA: PULSE AND SPECIAL CROPS SUPPLY AND DISPOSITION

May 31, 2005

Grain and Crop Year (a)	Area Seeded	Area Harvested	Yield	Production	Imports	Total Supply	Exports	Total Domestic Use (d)	Carry-out Stocks	Average Price (e)
	000 ha	000 ha	t/ha		(b)		(b)			\$/t
----- thousand metric tonnes -----										
Dry Peas										
2001-2002	1,344	1,285	1.57	2,023	27	2,245	1,381	589	275	190
2002-2003	1,297	1,050	1.30	1,365	41	1,681	628	743	310	210
2003-2004	1,303	1,271	1.67	2,124	24	2,458	1,316	937	205	175
2004-2005f	1,388	1,345	2.48	3,338	20	3,563	1,900	1,063	600	120-140
2005-2006f	1,362	1,330	2.10	2,790	20	3,410	1,900	1,110	400	115-145
Lentils										
2001-2002	708	664	0.85	566	6	828	478	219	131	320
2002-2003	601	387	0.91	354	9	494	320	119	55	390
2003-2004	554	536	0.97	520	5	580	368	174	38	420
2004-2005f	778	750	1.28	961	7	1,006	530	326	150	300-320
2005-2006f	810	785	1.16	910	5	1,065	560	250	255	290-320
Dry Beans										
2001-2002	184	175	1.70	298	42	390	263	97	30	725
2002-2003	230	219	1.89	414	40	484	297	117	70	445
2003-2004	167	167	2.13	356	31	457	344	83	30	495
2004-2005f	163	126	1.75	220	30	280	210	65	5	650-670
2005-2006f	193	189	1.85	350	30	385	290	75	20	520-550
Chickpeas										
2001-2002	486	467	0.97	455	12	497	146	211	140	380
2002-2003	221	154	1.01	156	9	305	105	140	60	300
2003-2004	63	63	1.08	68	2	130	74	36	20	330
2004-2005f	47	39	1.31	51	5	76	35	36	5	370-390
2005-2006f	54	52	1.15	60	5	70	35	30	5	400-430
Mustard Seed										
2001-2002	166	158	0.66	105	3	213	171	n/a	33	685
2002-2003	289	255	0.60	154	9	196	114	22	60	595
2003-2004	340	328	0.69	226	2	288	121	75	92	390
2004-2005f	317	304	1.00	305	2	399	135	79	185	290-310
2005-2006f	233	226	0.80	180	2	367	150	77	140	310-340
Canary Seed										
2001-2002	170	163	0.70	114	0	184	134	20	30	660
2002-2003	287	227	0.78	176	0	206	164	22	20	575
2003-2004	251	243	0.93	226	0	246	170	n/a	67	345
2004-2005f	356	318	0.94	300	0	367	175	37	155	220-240
2005-2006f	179	174	0.95	165	0	320	180	40	100	225-255
Sunflower Seed										
2001-2002	73	67	1.55	104	29	179	92	65	22	355
2002-2003	100	95	1.65	157	21	200	105	60	35	440
2003-2004	119	115	1.30	150	16	201	96	80	25	405
2004-2005f	87	59	0.92	54	25	104	40	59	5	480-500
2005-2006f	119	112	1.47	165	15	185	90	75	20	370-400
Buckwheat										
2001-2002	16	14	1.14	16	1	17	6	8	3	325
2002-2003	12	12	1.00	12	1	16	6	7	3	340
2003-2004	9	9	1.11	10	1	14	5	7	2	355
2004-2005f	9	7	0.71	5	1	8	3	5	0	345-365
2005-2006f	9	9	1.00	9	1	10	4	6	0	340-370
Total Pulse And Special Crops (c.)										
2001-2002	3,131	2,993	1.23	3,681	120	4,553	2,671	1,218	664	
2002-2003	3,025	2,399	1.16	2,788	130	3,582	1,739	1,230	613	
2003-2004	2,797	2,732	1.35	3,680	81	4,374	2,494	1,401	479	
2004-2005f	3,136	2,948	1.78	5,234	90	5,803	3,028	1,670	1,105	
2005-2006f	2,959	2,877	1.61	4,629	78	5,812	3,209	1,663	940	

(a) August-July crop year.

(b) Excludes products.

(c.) Includes Pulse Crops (dry peas, lentils, dry beans, chick peas) and Special Crops (mustard seed, canary seed, sunflower seed, buckwheat)

(d) Includes food, feed, seed, waste and dockage.

(e) Producer price, FOB plant. Average over all types, grades and markets.

f: forecast, Agriculture and Agri-Food Canada, May 31, 2005

n/a Total domestic use is calculated residually. Based on current data on exports and carry-out stocks, it appears that Statistics Canada's production estimate may be low or carry-out stocks high resulting in a very low residual.

Source: Statistics Canada and industry consultations.



CANADA: GRAINS AND OILSEEDS OUTLOOK

May 31, 2005

Agriculture and Agri-Food Canada (AAFC) forecasts that total production of grains and oilseeds in Canada will decline by 5% from 2004-05, to 61 million tonnes (Mt) in 2005-06, based on Statistics Canada's (STC) survey of seeding intentions. The decline is due to reduced seeded area and expectations of lower yields compared to the above-normal levels achieved for most crops in 2004. Normal abandonment, trend yields and normal crop quality have been assumed for both western and eastern Canada. In western Canada, seeding progress has been near-normal, and is largely complete except for south-eastern Manitoba where conditions have been excessively wet. Soil moisture reserves are generally good in western Canada.

The STC survey of March 31 stocks supports expectations that total carry-out stocks of grains and oilseeds for 2004-05 will be up significantly from the previous year. AAFC's 2004-05 carry-out stock forecast has been raised by 5% from last month, largely due to reduced forecasts for exports of wheat, barley and canola. Total exports of grains and oilseeds are forecast to increase by 12% in 2005-06 due to increased supply and better quality. Canadian prices for all grains and oilseeds will remain pressured by lower world prices and the relatively strong Canadian dollar. Factors to watch are: Chinese import demand, growing conditions in the major grain trading regions, EU grain export subsidy levels, the US winter wheat condition, ocean freight rates and the Canada/US exchange rate.

WHEAT (ex-durum)

For 2005-06, total supply is expected to decline by 4%, with increased carry-in stocks largely offsetting lower production. Carry-in stocks are expected to rise by 28%, largely consisting of low quality wheat. Exports are forecast to increase by 1.0 Mt due to the increased supply of high quality wheat. Wheat feeding is expected to decrease but remain historically high due to the large carry-in stocks of feed wheat. Carry-out stocks are expected to fall by about 18%. The CWB Pool Return Outlook (PRO) for high quality wheat is lower than for 2004-05, due to expected higher supply, with returns for lower quality wheat expected to be relatively unchanged.

DURUM

Total supply is forecast to rise by more than 10%, despite a decline in production, due to sharply higher carry-in stocks. The increased stocks are due to the reduced supply of top-quality durum and weak export demand as a result of large crops in North Africa and the EU in 2004-05. Exports are expected to increase by 11% due to a higher supply of good quality durum and reduced EU production. Carry-out stocks are projected to increase further to a record 3.1 Mt. The CWB PRO for 2005-06 is down, largely due to the increased supply in North America.

BARLEY

Total supply is projected to increase by 3%, due to higher carry-in stocks resulting from the large production of low-quality barley in 2004-05. Exports are expected to increase by more than 30% as the supply of malting quality barley increases.

Carry-out stocks are expected to remain high historically and the off-Board feed barley price is forecast to be similar to 2004-05. Malting barley prices will be pressured by higher world production, with the CWB PRO for Special Select 2-row malting barley down by \$6/t from 2004-05 at \$174/t.

OATS

Total supply is expected to rise by 22% due to a combination of increased carry-in stocks and production. Carry-in stocks are forecast to be higher due to reduced exports in 2004-05 related to the poor quality of the crop. Exports are forecast to rise by 0.3 Mt due to larger supplies and improved crop quality. Carry-out stocks are expected to reach the highest level since 1978-79. Oat prices are forecast to decline, with a smaller premium for milling oats.

CORN

Domestic supply is expected to decline by 4% due to lower production and carry-in stocks. This is expected to be partly offset by a 9% increase in imports, following lower corn production in eastern Canada and lower feed wheat and barley production in western Canada. Food and industrial use is forecast to rise marginally due to increased ethanol production. Prices are expected to remain pressured by low US prices and the strong Canadian dollar.

CANOLA

Total supply is forecast to rise slightly, despite lower production, due to a sharp increase in carry-in stocks, which are forecast at 1.7 Mt, the 2nd highest on record. Domestic crush and exports for 2004-05 remain pressured by sharply higher world oilseed supply. In

2005-06, domestic crush is forecast to remain stable while exports increase. Carry-out stocks are projected to fall but remain burdensome. Prices are projected to decline marginally due to lower world soybean and soyoil prices.

FLAXSEED (excluding solin)

Total supply is expected to nearly double, reaching the highest level since 1999-00, due to sharply higher production. The increased production will be moderated by the tight carry-in stocks, as exports to the EU in 2004-05 remain strong despite sharply higher prices. Exports and total domestic use are forecast to rise in 2005-06. Carry-out stocks are forecast to more than double to near-record levels, pressuring prices to historically more normal levels.

SOYBEANS

Domestic supply is forecast to reach a record 3.5 Mt, despite a marginal decline in production, due to record carry-in stocks resulting from high imports and the slower crush pace in 2004-05. This is forecast to be partly offset by reduced imports in 2005-06. Exports are forecast to remain stable, while domestic crush increases to a normal level. Carry-out stocks are expected to remain burdensome. The price of soybeans is forecast to fall due to lower US and South American soybean prices.

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CANADA: GRAINS AND OILSEEDS SUPPLY AND DISPOSITION

May 31, 2005

Grain and Crop (a)	Area		Yield t/ha	Production	Imports	Total	Exports	Food and	Feed,	Total Dom-	Carry-out	Average
	Seeded	Harvested			(b)	Supply	(c.)	Ind. Use (e)	& Dockage	estic Use (d)	Stocks	Price (f)
	-----	000 ha-----						thousand metric tonnes-----				\$/t
Durum												
2003-2004	2,483	2,459	1.74	4,280	1	5,900	3,427	252	220	684	1,788	224.21
2004-2005f	2,230	2,141	2.32	4,962	1	6,751	3,100	255	476	951	2,700	202 *
2005-2006f	2,354	2,300	2.08	4,790	1	7,441	3,500	260	431	891	3,100	194 *
Wheat Except Durum												
2003-2004	8,179	8,009	2.41	19,272	16	23,395	12,300	2,775	3,222	6,804	4,292	206.03
2004-2005f	8,170	7,722	2.71	20,898	10	25,200	11,500	2,770	4,700	8,200	5,500	186 *
2005-2006f	7,860	7,595	2.47	18,750	10	24,260	12,500	2,800	3,640	7,260	4,500	182 *
ALL WHEAT												
2003-2004	10,662	10,467	2.25	23,552	17	29,295	15,727	3,027	3,442	7,488	6,080	
2004-2005f	10,399	9,862	2.62	25,860	11	31,952	14,600	3,025	5,176	9,152	8,200	
2005-2006f	10,213	9,895	2.38	23,540	11	31,751	16,000	3,060	4,071	8,151	7,600	
Barley												
2003-2004	5,046	4,446	2.77	12,328	36	13,838	2,445	298	8,579	9,291	2,102	135.80
2004-2005f	4,678	4,050	3.26	13,186	100	15,388	1,900	300	9,553	10,288	3,200	100-120
2005-2006f	4,700	4,215	3.00	12,660	30	15,890	2,500	380	9,505	10,290	3,100	100-120
Corn												
2003-2004	1,265	1,226	7.82	9,587	2,108	12,805	346	2,415	8,890	11,317	1,143	137.18
2004-2005f	1,185	1,072	8.24	8,836	2,200	12,178	150	2,650	8,363	11,028	1,000	90-110
2005-2006f	1,144	1,120	7.66	8,580	2,400	11,980	150	2,700	8,315	11,030	800	90-110
Oats												
2003-2004	2,272	1,575	2.34	3,691	19	4,234	1,557	140	1,581	1,888	788	136.65
2004-2005f	1,995	1,315	2.80	3,683	25	4,496	1,500	130	1,574	1,896	1,100	120-140
2005-2006f	2,292	1,710	2.55	4,360	15	5,475	1,800	170	1,910	2,275	1,400	105-125
Rye												
2003-2004	246	147	2.22	327	0	357	171	47	60	125	60	104.44
2004-2005f	284	165	2.53	418	1	479	230	48	109	174	75	65-85
2005-2006f	228	145	2.14	310	1	386	150	48	101	166	70	65-85
Mixed Grains												
2003-2004	241	135	2.84	384	0	384	0	0	384	384	0	
2004-2005f	233	111	2.87	318	0	318	0	0	318	318	0	
2005-2006f	249	145	2.83	410	0	410	0	0	410	410	0	
TOTAL COARSE GRAINS												
2003-2004	9,070	7,529	3.50	26,317	2,162	31,618	4,519	2,899	19,495	23,006	4,093	
2004-2005f	8,374	6,713	3.94	26,441	2,326	32,860	3,780	3,128	19,918	23,705	5,375	
2005-2006f	8,612	7,335	3.59	26,320	2,446	34,141	4,600	3,298	20,241	24,171	5,370	
Canola												
2003-2004	4,736	4,689	1.44	6,771	243	7,908	3,754	3,390 ¹	113	3,545	609	387.04
2004-2005f	5,319	4,938	1.57	7,728	150	8,487	3,200	3,100 ¹	417	3,652	1,725	285-325
2005-2006f	4,886	4,767	1.41	6,725	200	8,650	3,400	3,100 ¹	555	3,700	1,550	280-320
Flaxseed												
2003-2004	745	728	1.04	754	22	903	609	n/a	n/a	202	93	382.13
2004-2005f	728	528	0.98	517	35	645	425	n/a	n/a	140	80	475-525
2005-2006f	868	846	1.21	1,025	20	1,125	700	n/a	n/a	245	180	320-360
Soybeans												
2003-2004	1,051	1,047	2.17	2,268	587	3,000	914	1,500 ¹	319	1,947	140	395.04
2004-2005f	1,229	1,178	2.59	3,048	400	3,588	1,000	1,450 ¹	488	2,063	525	225-265
2005-2006f	1,225	1,211	2.47	2,990	250	3,765	1,000	1,750 ¹	505	2,365	400	200-240
TOTAL OILSEEDS												
2003-2004	6,531	6,464	1.52	9,794	850	11,813	5,277	n/a	n/a	5,693	841	
2004-2005f	7,277	6,643	1.70	11,293	585	12,719	4,625	n/a	n/a	5,765	2,330	
2005-2006f	6,979	6,823	1.57	10,740	470	13,540	5,100	n/a	n/a	6,310	2,130	
TOTAL GRAINS AND OILSEEDS												
2003-2004	26,263	24,461	2.44	59,663	3,029	72,724	25,523	n/a	n/a	36,187	11,014	
2004-2005f	26,050	23,219	2.74	63,595	2,922	77,531	23,005	n/a	n/a	38,621	15,905	
2005-2006f	25,805	24,053	2.52	60,600	2,927	79,432	25,700	n/a	n/a	38,632	15,100	

(a) August - July crop year except corn and soybeans which are September - August.

(b) Excludes imports of products.

(c.) Includes exports of products for wheat, oats, barley, and rye. Excludes exports of oilseed products.

(d) Total = F&I + FWD + Seed Use

(e) Industrial use excludes flaxseed due to data confidentiality.

(f) Crop year average prices: No.1 CWRS 11.5% protein and No.1 CWAD 11.5% (CWB final price I/S St. Lawrence/Vancouver); Barley (No. 1 feed, WCE, cash, I/S Lethbridge); Corn (No.2 CE, cash, I/S Chatham); Oats (US No. 2 Heavy, CBoT nearby futures); Rye (No.2 Canada, Elevator bids at select western delivery points); Canola (No. 1 Canada, WCE, cash, I/S Vancouver); Flaxseed (No. 1 CW, WCE, cash, I/S Thunder Bay); Soybeans (No. 2, I/S Chatham).

* CWB Pool Return Outlook (PRO) - May 26, 2005

^{1/} Source for Food and Industrial Use is based on data from the Canadian Oilseed Processors Association.

f: forecast - Agriculture and Agri-Food Canada - May 31, 2005

Source: Statistics Canada, Cereals and Oilseeds Review Series, Cat. No. 22-007

A. SELLING PRICE OF BULK FEED INGREDIENTS AT SELECTED POINTS

June 13, 2005

SELECTED POINT	REFERENCE PERIOD	PRICE BASIS	(1) WHEAT	OATS	BARLEY	CORN	PRICE BASIS	SOYBEAN MEAL	CANOLA MEAL	MILL-FEEDS	MEAT MEAL	FISH MEAL	ANIMAL FAT	GLUTEN MEAL	GLUTEN FEED	FEED PEAS	DEHY ALFALFA	FEATHER MEAL
Vancouver	June 13, 2005	FOB	130.00	N/A	132.00	149.00		340.50	201.00	103.00		850.00	520.00					
BC (4) (7)	June 6, 2005		130.00	N/A	132.00	152.50		345.00	199.00	103.00		850.00	520.00					
Calgary	June 13, 2005	FOB	110.00	N/A	114.00	140.00		332.25			115.00	975.00	555.00					375.00
AB (4)	June 6, 2005		110.00	N/A	113.00	140.00		325.00										350.00
Saskatoon	June 13, 2005	FOB	89.50	130.00	89.00	130.00		333.75	N/A		115.00	975.00	555.00					350.00
SK (4)	June 6, 2005		89.00	117.50	88.00	134.00		337.50	N/A		130.00	N/A	555.00			131.67		350.00
Winnipeg	June 13, 2005	FOB	131.00	140.00	108.50	114.00		312.25	N/A		290.00	987.50	525.00			126.67		390.00
MB (4) (9)	June 6, 2005		130.00	140.00	107.50	118.00		305.00	N/A		290.00	987.50	525.00					340.00
Thunder Bay	June 13, 2005	In-Store	108.00	N/A	105.25													340.00
ON (8)	June 6, 2005		108.00	N/A	107.60													
Lake Ports	June 13, 2005	On Board				102.30												
USA (3)	June 6, 2005	Vessel				106.79												
Bay Ports	June 13, 2005	In-Store	139.00	205.00	138.00													
ON	June 6, 2005		139.00	205.00	138.00													
Chatham	June 13, 2005	Track				110.17												
ON	June 6, 2005					113.87												
Toronto	June 13, 2005	N/A					FOB				182.00	N/A	430.00	425.00	114.00			360.00
ON (5)	June 6, 2005							233.97	#N/A		182.00	N/A	430.00	425.00	114.00			350.00
Hamilton	June 13, 2005	N/A						238.06	#N/A									
ON	June 6, 2005																	
Eastern	June 13, 2005	FOB				106.00												
ON	June 6, 2005					109.88												
London	June 13, 2005	FOB												425.00	114.00			
ON	June 6, 2005													425.00	114.00			
Port Colborne	June 13, 2005	FOB								44.50				425.00	114.00			
ON	June 6, 2005									44.50				425.00	114.00			
Cardinal	June 13, 2005	FOB												425.00	114.00			
ON	June 6, 2005													425.00	114.00			
Montreal	June 13, 2005		137.00	150.00	139.00	115.00		296.82	217.60	53.33	235.00	850.00	457.50	425.00	114.00			370.00
QC (5)	June 6, 2005		137.00	150.00	139.00	115.00	FOB	300.15	230.20	56.67	175.00	850.00	457.50	425.00	114.00			360.00
Trois-Rivières	June 13, 2005	In-Store	143.50		145.00	131.88												
QC	June 6, 2005		146.00		147.70	135.13												
St. Jean OC (2)	June 13, 2005	FOB	142.21	120.11	138.98	110.89		303.28										
St. Hyacinthe QC	June 6, 2005		141.54	120.59	138.92	112.01		306.77										
Quebec	June 13, 2005	In-Store	137.50	N/A	154.97	128.67		316.81	230.40									
QC	June 6, 2005		137.00	N/A	155.24	132.55		320.24	240.75									
Truro	June 13, 2005	Track	173.18		167.30	159.08		360.79	262.28									310.00
NS	June 6, 2005		173.10		166.40	159.60	FOB	360.68	245.19		237.05		505.00					360.00
Truro	June 13, 2005	Water	N/A	N/A	N/A	N/A												
NS	June 6, 2005	& Truck	N/A	N/A	N/A	N/A												
Halifax	June 13, 2005	In-Store	N/A	N/A	N/A	n/a		374.60		297.50		1,100.00	N/A					
NS (6)	June 6, 2005		N/A	N/A	N/A	n/a		373.90		297.50		1,100.00	N/A					

Source: Market Analysis Division, Agriculture and Agri-Food Canada; Thunder Bay prices are based on the Winnipeg Commodity Exchange (WCE) market close US\$1.00=CANS1.2493, closing date June 10, 2005
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 N/A = not available

Footnotes: All prices in Canadian dollars per metric tonne based on survey respondents.

Grain grades (unless otherwise specified) are: Western or Eastern Feed Wheat, Feed Oats, No.1 Canada Western or Eastern Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn.
 Soybean Meal 48 % Protein. Canola Meal based on minimum standard of 35% Protein. Fish Meal: white fish and/or herring meal. Gluten Meal 60% Protein. Gluten Feed 21% Protein.

(1) Wheat 3CWR5 (2) Canadian Corn #3 or #2 (3) US Corn (4) Fish Meal from West Coast 63% Protein (5) Fish Meal 60% Protein (6) Herring Fish Meal (7) Fraser Valley (8) Wheat & Barley (Basis - Cash Price WCE) (9) Oats 3CW

B. CASH PRICES AND REPLACEMENT VALUES

June 13, 2005

PRAIRIE GRAINS

Selected Points	Price Basis		This week 13-Jun-05	Last week 30-May-05	Month ago 16-May-05	Year ago 14-Jun-04
From: Thunder Bay(WCE) (2)	In-Store	Wheat	107.00	107.00	106.00	144.90
(CBOT)		Oat	135.25	135.25	132.00	150.75
(Lethbridge)		Barley	114.00	114.00	113.00	150.00
To: Bayport, ON (1)	In-store	Wheat	130.61	130.61	129.61	168.51
		Oat	N/A	N/A	N/A	N/A
		Barley	141.39	141.39	140.39	177.39
Montreal, QC (1)	In-store	Wheat	135.03	135.03	134.03	172.93
		Oat	N/A	N/A	N/A	N/A
		Barley	146.31	146.31	145.31	182.31
Moncton, NB	Truck via Halifax	Wheat	157.25	157.25	156.25	195.15
		Oat	N/A	N/A	N/A	N/A
		Barley	170.50	170.50	169.50	206.50
Truro, NS	Truck via Halifax	Wheat	151.22	151.22	150.22	189.12
		Oat	N/A	N/A	N/A	N/A
		Barley	168.00	168.00	167.00	204.00
Halifax, NS (1)	In-store	Wheat	142.28	142.28	141.28	180.18
		Oat	N/A	N/A	N/A	N/A
		Barley	154.30	154.30	153.30	190.30
Stephenville, NL	Track / Truck via Sydney	Wheat	205.63	205.63	204.63	243.53
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A
Melfort, SK		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Bayport, ON		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Montreal, QC		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Moncton, NB		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Truro, NS		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track / Truck via Sydney	Barley	N/A	N/A	N/A	N/A
Stephenville, NL		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A
Selected Points	Price Basis		This week 13-Jun-05	Last week 30-May-05	Last week 16-May-05	Year ago 14-Jun-04
Corn						
From: US Lake Port	On Board Vessel		102.30	109.11	101.14	142.38
To: Montreal, QC (1)	In-store		121.34	128.15	120.18	161.42
From: Chicago (IL)	Track		105.25	111.10	104.61	134.32
To: Montreal, QC	Track		134.11	139.95	133.47	163.18
From: Chatham, ON	Track		110.17	114.75	106.35	152.26
To: Montreal, QC	Track		134.04	138.62	130.22	176.06
Soymeal 48% Protein						
From: Hamilton, ON			233.97	230.88	209.36	320.55
To: Montreal, QC	Track		258.30	255.21	233.69	344.88
Moncton, NB	Track		277.05	273.96	252.44	363.63
Truro, NS	Track		280.27	277.18	255.66	366.85
Stephenville, NL	Track / Truck via Sydney		328.90	325.81	304.29	415.48

1. Prices include ONE month of storage and interest charges n/a = not available

2. Thunder Bay prices are based on the Winnipeg Commodities Exchange market close (Cash price)

Source: Market Analysis Division, Agriculture and Agri-Food Canada

Contact: Valérie Chartier: A/Statistical Clerk (204) 983-0581 Fax: (204) 983-5524 e-mail: chartierv@agr.gc.ca

Footnotes: All prices quoted in Canadian dollars per metric tonne.

Grain grades (unless otherwise specified) are: Canada Western Feed Wheat, Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn.

Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec.

Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable

A. SELLING PRICE OF BULK FEED INGREDIENTS AT SELECTED POINTS										May 30, 2005									
SELECTED POINT	REFERENCE PERIOD	PRICE BASIS	(1)	WHEAT	OATS	BARLEY	CORN	PRICE BASIS	SOYBEAN MEAL	CANOLA MEAL	MILL-FEEDS	MEAT MEAL	FISH MEAL	ANIMAL FAT	GLUTEN MEAL	GLUTEN FEED	FEED PEAS	DEHY ALFALFA	FEATHER MEAL
Vancouver	May 30, 2005	FOB	128.00	N/A	132.00	153.00			318.50	186.00	103.00		850.00	520.00					365.00
BC (4) (7)	May 24, 2005		129.00	N/A	132.00	154.00			311.50	186.00	105.00		850.00	520.00					365.00
Calgary	May 30, 2005	FOB	108.00	N/A	113.00	145.00			307.00			115.00	975.00	555.00					340.00
AB (4)	May 24, 2005		108.00	N/A	112.00	150.00			307.00			125.00	975.00	555.00					340.00
Saskatoon	May 30, 2005	FOB	89.00	117.50	88.00	137.00			309.50	N/A		130.00	N/A	555.00			126.67		380.00
SK (4)	May 24, 2005		89.00	117.50	88.00	141.00			309.50	N/A		140.00	N/A	555.00			126.67		380.00
Winnipeg	May 30, 2005	FOB	130.00	140.00	107.50	122.00			289.50	N/A		290.00	987.50	525.00					340.00
MB (4) (9)	May 24, 2005		129.50	140.00	108.50	121.00			289.50	N/A		290.00	987.50	525.00					340.00
Thunder Bay	May 30, 2005	In-Store	108.00	N/A	107.05														
ON (8)	May 24, 2005		106.50	N/A	105.25														
Lake Ports	May 30, 2005	On Board				109.11													
USA (3)	May 24, 2005	Vessel				111.14													
Bay Ports	May 30, 2005	In-Store	138.00	205.00	138.00														
ON	May 24, 2005		136.00	205.00	138.00														
Chatham	May 30, 2005	Track				114.75													
ON	May 24, 2005					115.71													
Toronto	May 30, 2005	N/A						FOB				182.00	N/A	420.00	425.00	114.00			345.00
ON (5)	May 24, 2005											182.00	N/A	420.00	425.00	114.00			340.00
Hamilton	May 30, 2005	N/A							230.88	#N/A									
ON	May 24, 2005								218.75	#N/A									
Eastern	May 30, 2005	FOB				109.30													
ON	May 24, 2005					104.00													
London	May 30, 2005	FOB													425.00	114.00			
ON	May 24, 2005														425.00	114.00			
Port Colborne	May 30, 2005	FOB									46.00				425.00	114.00			
ON	May 24, 2005										46.00				425.00	114.00			
Cardinal	May 30, 2005	FOB													425.00	114.00			
ON	May 24, 2005														425.00	114.00			
Montreal	May 30, 2005		137.00	175.00	139.00	134.89			289.02	200.84	61.00	175.00	850.00	435.50	425.00	114.00			360.00
QC (5)	May 24, 2005		137.00	150.00	139.00	115.00		FOB	279.11	189.00	61.00	175.00	850.00	435.50	425.00	114.00			350.00
Trois-Rivières	May 30, 2005	In-Store	145.30		147.10	136.31													
QC	May 24, 2005		144.40		145.50	137.59													
St. Jean QC (2)	May 30, 2005	FOB	147.55	127.89	137.06	118.57			298.45										
St. Hyacinthe QC	May 24, 2005		149.45	123.58	140.77	115.47			289.96										
Quebec	May 30, 2005	In-Store	141.10	N/A	156.88	136.94			311.38	220.65									
QC	May 24, 2005		140.80	N/A	156.28	137.50			298.21	203.03									
Truro	May 30, 2005	Track	174.80		166.40	158.98			352.47	245.19		237.05		505.00					360.00
NS	May 24, 2005		168.50		163.90	153.45		FOB	336.29	239.93		237.05		505.00					350.00
Truro	May 30, 2005	Water	N/A	N/A	N/A	N/A													
NS	May 24, 2005	& Truck	N/A	N/A	N/A	N/A			364.50										
Halifax	May 30, 2005	In-Store	N/A	N/A	N/A	N/A													
NS (6)	May 24, 2005		N/A	N/A	N/A	N/A			349.75										

Source: Market Analysis Division, Agriculture and Agri-Food Canada; Thunder Bay prices are based on the Winnipeg Commodity Exchange (WCE) market close
 Contact: Valérie Charlier A/Statistical Clerk Telephone: (204) 983-0581 Fax: (204) 983-5524 Email: chartier@agr.gc.ca
 N/A = not available

Footnotes: All prices in Canadian dollars per metric tonne based on survey respondents.
 Grain grades (unless otherwise specified) are: Western or Eastern Feed Wheat, Feed Oats, No.1 Canada Western or Eastern Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn.
 Soybean Meal 48 % Protein. Canola Meal based on minimum standard of 35% Protein. Fish Meal: white fish and/or herring meal. Gluten Meal 60% Protein. Gluten Feed 21% Protein.

(1) Wheat 3CWRS (2) Canadian Corn #3 or #2 (3) US Corn (4) Fish Meal from West Coast 63% Protein (5) Fish Meal 60% Protein (6) Herring Fish Meal (7) Fraser Valley (8) Wheat & Barley (Basis - Cash Price WCE) (9) Oats 3CW

B. CASH PRICES AND REPLACEMENT VALUES

May 30, 2005

PRAIRIE GRAINS

Selected Points	Price Basis		This week 30-May-05	Last week 16-May-05	Month ago 2-May-05	Year ago 31-May-04
From: Thunder Bay(WCE) (2)	In-Store	Wheat	107.00	106.00	106.00	188.00
(CBOT)		Oat	135.25	132.00	142.50	147.75
(Lethbridge)		Barley	114.00	113.00	112.00	158.00
To: Bayport, ON (1)	In-store	Wheat	130.61	129.61	129.61	211.61
		Oat	N/A	N/A	N/A	N/A
		Barley	141.39	140.39	139.39	185.39
Montreal, QC (1)	In-store	Wheat	135.03	134.03	134.03	216.03
		Oat	N/A	N/A	N/A	N/A
		Barley	146.31	145.31	144.31	190.31
Moncton, NB	Truck via Halifax	Wheat	157.25	156.25	156.25	238.25
		Oat	N/A	N/A	N/A	N/A
		Barley	170.50	169.50	168.50	214.50
Truro, NS	Truck via Halifax	Wheat	151.22	150.22	150.22	232.22
		Oat	N/A	N/A	N/A	N/A
		Barley	168.00	167.00	166.00	212.00
Halifax, NS (1)	In-store	Wheat	142.28	141.28	141.28	223.28
		Oat	N/A	N/A	N/A	N/A
		Barley	154.30	153.30	152.30	198.30
Stephenville, NL	Track / Truck via Sydney	Wheat	205.63	204.63	204.63	286.63
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A
Melfort, SK		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Bayport, ON		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Montreal, QC		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Moncton, NB		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Truro, NS		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track / Truck via Sydney	Barley	N/A	N/A	N/A	N/A
Stephenville, NL		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A

Selected Points	Price Basis		This week 30-May-05	Last week 16-May-05	Last week 2-May-05	Year ago 31-May-04
Corn						
From: US Lake Port	On Board Vessel		109.11	101.14	104.16	167.76
To: Montreal, QC (1)	In-store		128.15	120.18	123.20	186.80
From: Chicago (IL)	Track		111.10	104.61	108.12	160.77
To: Montreal, QC	Track		139.96	133.47	136.98	189.63
From: Chatham, ON	Track		114.75	106.35	109.00	167.71
To: Montreal, QC	Track		138.62	130.22	132.87	191.58

Soymeal 48% Protein

From: Hamilton, ON			230.88	209.36	215.17	402.12
To: Montreal, QC	Track		255.21	233.69	239.50	426.45
Moncton, NB	Track		273.96	252.44	258.25	445.20
Truro, NS	Track		277.18	255.66	261.47	448.42
Stephenville, NL	Track / Truck via Sydney		325.81	304.29	310.10	497.05

1. Prices include ONE month of storage and interest charges
n/a = not available
2. Thunder Bay prices are based on the Winnipeg Commodities Exchange market close (Cash price)

Source: Market Analysis Division, Agriculture and Agri-Food Canada

Contact: Valérie Chartier: A/Statistical Clerk (204) 983-0581 Fax: (204) 983-5524 e-mail: chartierv@agr.gc.ca

Footnotes: All prices quoted in Canadian dollars per metric tonne.

Grain grades (unless otherwise specified) are: Canada Western Feed Wheat, Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn.

Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec.

Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable



Bi-weekly Bulletin

June 17, 2005 Volume 18 Number 12

EUROPEAN UNION: PULSE CROPS SITUATION AND OUTLOOK

The European Union (EU) is an important market for Canadian dry peas, dry beans, lentils and chickpeas. Exports of Canadian pulse crops to the EU averaged about \$250 million per year over the past five years. However, the EU is also a competitor with Canada in world markets for dry peas and fababeans. This issue of the *Bi-weekly Bulletin* examines the situation and outlook for the production and trade of pulse crops in the EU.

PRODUCTION

The EU is a large producer of dry peas and fababeans, and a smaller producer of vetches, lupins, dry beans, chickpeas and lentils. Dry peas, fababeans, vetches and lupins are produced mainly for the livestock feed market, especially for feeding hogs; whereas dry beans, lentils and chickpeas are produced for the human food market. During the past ten years, there was a slight downward trend in total pulse crops seeded area and production.

Dry Peas

Dry peas are the largest pulse crop produced in the EU. However, there has been a pronounced downward trend in seeded area and production during the past ten years because for some producers returns from alternative crops, such as cereal grains and fababeans, were higher. Most of the dry peas produced are the yellow type, but green, green marrowfat and other types are also produced. Average yields have been relatively stable over this period. Although nearly all EU countries produce dry peas, France is the largest producer, followed by Germany, the United Kingdom (UK), and Spain. Production has been trending upwards in Spain and the UK, trending downwards in France and has been relatively stable in Germany.

Fababeans

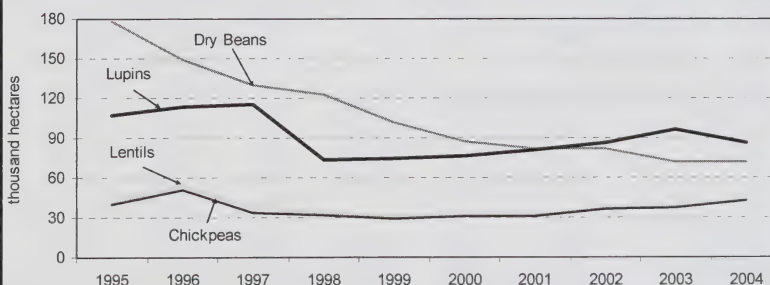
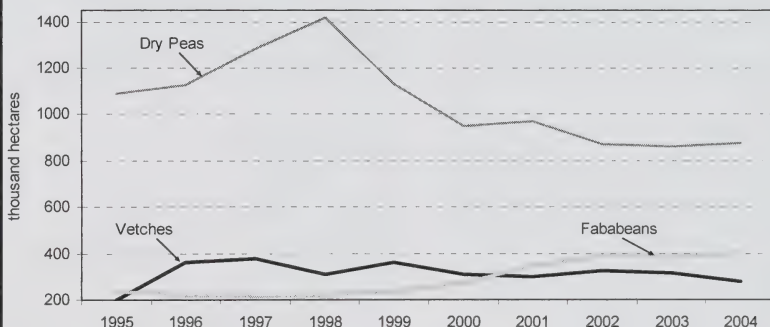
There has been an upward trend in the EU fababean seeded area, average yields and production. Fababean production is mainly in the UK and France. Production has been trending upwards in the UK, France and Spain, but trending downwards in Italy. Although the average yields for fababeans are still lower than for dry peas (in 2004, 3.24 tonnes per hectare (t/ha) for fababeans versus 3.63 t/ha for dry peas), the difference in yields has been narrowing. Fababeans

EUROPEAN UNION MEMBERS

Austria	Estonia*	Hungary*	Luxembourg	Slovakia*
Belgium	Finland	Ireland	Malta*	Slovenia*
Cyprus*	France	Italy	Netherlands	Spain
Czech Republic*	Germany	Latvia*	Poland*	Sweden
Denmark	Greece	Lithuania*	Portugal	United Kingdom

*Countries which joined the EU in 2004

EUROPEAN UNION: PULSE CROPS SEEDING AREA*



Source: Union Nationale Interprofessionnelle des plantes riches en Protéines (UNIP) and FAO.
*Includes countries which joined the EU in 2004.

have a protein content of about 27%, versus 22% for dry peas, which gives them an advantage in livestock rations requiring higher protein levels.

Vetches

EU production of vetches has been variable, due to a high variability in yields, as the seeded area has been relatively stable. Spain accounts for a large majority of vetch production in the EU.

Lupins

EU seeded area, yields and production of lupins has been relatively stable after a sharp drop in 1998. Germany, France and the UK are the main producing countries.

Dry Beans

EU seeded area for dry beans has been trending downwards. Production has also been trending downwards, but at a lower rate due to an upward trend in yields. Several classes of white and coloured beans are produced in the EU. The main producing countries are Poland, Greece, Italy and France.

Lentils

EU lentil production has been variable during the past ten years, due partly to a seeded area which trended downward until 1999 and has been trending upwards since then, and partly due to highly variable yields. The EU produces green and brown lentils. Spain accounts for most of the production and the only other significant producers are France, Italy and Greece.

Chickpeas

EU chickpea production has been variable during the past ten years, due partly to a seeded area which trended downward until 1999 and has been trending upwards since then, and partly due to highly variable yields. The EU produces kabuli chickpeas. Spain accounts for most of the production and the only other significant producers are Italy, Greece and Portugal.

TRADE

The EU is a large importer of dry peas and lupins, mainly for the livestock feed market, and of dry beans, lentils and chickpeas for the human food market. The EU is a major exporter of dry peas and fababeans into food markets. This analysis deals with calendar years 1995 to 2003, as complete data for 2004 is not available.

Dry Peas

EU dry pea imports have been variable, depending on supply and prices, but Canada's share of the imports has been increasing. Imports from Canada fell sharply in 2002, due to low Canadian supply, but rose in 2003 and rose further to 612,500 tonnes (t) in 2004, as Canadian supply increased. Canada has become the largest supplier of dry peas to the EU. Other significant suppliers are Ukraine, Russia and United States (US). Spain accounts for most of the EU dry pea imports from outside the EU. Other significant importers are Belgium, Netherlands, Germany, Italy, Ireland and Poland.

EU dry pea exports have been trending upwards, with a peak in 2002. In that year, there was a world shortage of dry peas and prices in the food markets were very high. Therefore, a significant portion of the dry peas produced in the EU were diverted to export food markets from domestic feed markets. France accounts for a large majority of EU dry pea exports with most of them going to India, Bangladesh and Cuba.

Dry Beans

EU dry bean imports have had a slight upward trend. However, imports from Canada have been trending upwards at a higher rate and Canada's share of the imports has been increasing. Canada has become the largest supplier, with most of the remainder coming from the US, China and Argentina. The main importing countries are UK, Italy, France, Netherlands, Spain, Portugal, Belgium,

Greece and Germany. The largest class of dry beans imported is white pea, but many other classes, white and coloured, are also imported.

Lentils

Total EU lentil imports and imports from Canada have been variable, but with no significant trend. Canada normally accounts for most of the imports, but imports from Canada dropped in 2002 and 2003 due to a sharp decrease in Canadian supply. The remainder comes mainly from the US, China and Turkey. The main importing countries are Spain, France, Italy, Belgium, Netherlands, UK, Germany and Greece. The EU generally imports green and brown lentils.

Chickpeas

EU chickpea imports have been variable, but with no significant trend. Imports from Canada peaked in 2002, but dropped sharply in 2003 due to reduced supply. Most of the EU chickpea imports come from Mexico, with Turkey, US and Canada the only other significant suppliers. Spain, Italy, France, Portugal and UK are the main importing countries. The EU generally imports large kabuli chickpeas.

Fababeans

EU fababean imports have been trending downwards, while exports have been trending upwards, reflecting the rise in EU production. Imports are no longer significant. EU fababeans are exported mainly to the Middle East, especially to Egypt. Nearly all of the exports come from the UK and France.

Lupins and Vetches

Nearly all of the EU lupin imports are from Australia. There is no significant trade in vetches.

Prices

EU prices for pulse crops in the food market generally follow world prices adjusted for exchange rates. However, there are some

EUROPEAN UNION: PULSE CROPS PRODUCTION*

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
.....thousand tonnes.....										
Dry Peas	4 114	4 165	5 097	5 499	4 605	3 259	3 315	3 104	2 992	3 173
Fababeans	571	607	642	645	690	828	1 040	1 257	1 181	1 306
Vetches	116	267	229	159	122	164	117	163	180	172
Lupins	167	202	198	151	123	131	154	159	152	151
Sub-total 1	4 968	5 241	6 166	6 454	5 540	4 382	4 626	4 683	4 505	4 802
Dry Beans	191	178	185	185	168	142	140	141	126	126
Chickpeas	39	99	83	67	38	62	67	82	75	67
Lentils	19	39	27	27	22	37	28	35	34	32
Sub-total 2	249	316	295	279	228	241	235	258	235	225
Total	5 217	5 557	6 461	6 733	5 768	4 623	4 861	4 941	4 740	5 027

Sub-total 1: pulse crops used mainly for livestock feed

Sub-total 2: pulse crops used mainly for human food

*Includes countries which joined the EU in 2004.

Source: Union nationale interprofessionnelle des plantes riches en protéines and FAO

Therefore, the 2003 reforms will not likely have a significant impact on the area seeded. However, there has been an upward trend in the seeded area for both crops since 2002. Part of that was due to support payment reforms which established a separate area limit for chickpeas and lentils in 2000 and partly due to attractive prices. When the area limit had been combined for vetches, lentils and chickpeas, the limit would often be exceeded and support payments lowered proportionally for these crops. With the SFP, producers are expected to respond more to price indications in making their seeding decisions. Therefore, the seeded area and production of lentils and chickpeas will probably become even more variable from year to year, but relatively stable over the longer term.

For dry beans, there had been a downward trend in seeded area until 2003, when the area stabilized. Since dry beans are not eligible for support payments, the area seeded will depend on prices. The seeded area is probably not going to decrease further, but there could be a shift to countries with lower production costs, such as Poland and Hungary. If the returns from producing dry beans are sufficiently attractive, the seeded area could increase.

Growth in Demand

The population growth for the EU until the year 2011 is forecast by the European Commission to be only 0.2% per year. Therefore, any significant increase in domestic demand would have to come from increased consumption.

One area of increased demand is expected to be from the livestock feed sector, especially for feeding hogs, where dry peas and fababeans are used extensively. The poultry industry is also an important user of dry peas and fababeans. In the EU, pork and poultry production are forecast to increase by 6% from 2004 to 2011.

In the human food market, demand is expected to rise modestly due to the increased acceptance of pulses as a healthy food and changing eating trends. Pulses are increasingly being used in local cuisine or in cuisine adopted from other parts of the EU. Flour from pulses is increasingly being used in baking to increase the protein, fibre, mineral and vitamin content. The EU has a growing population of people who came from, or whose ancestors came from, the Middle East, northern Africa and the Indian sub-continent, where pulses are a staple. In addition, middle-eastern, North African and Indian sub-continent cuisine is being adopted by the general population.

Trends in Trade over the Longer Term

Imports of pulse crops for livestock feed, dry peas and lupins is expected to continue, but import volumes will depend, as in the past, on supply and price competitiveness with alternative feed ingredients. Imports of dry beans, chickpeas and lentils for human food are expected to trend upwards slightly due to increased demand.

When the ten new countries joined the EU in 2004, they adopted the tariff schedule of the EU, which for most pulse crops is zero. Prior to joining the EU, most of the new members had significant tariffs, in some cases as high as 73%. Therefore, the ten new EU member markets are now more accessible to Canadian pulse crops exports. However, this is a relatively modest improvement as these countries are not large importers of pulse crops.

Canada has established itself as the main exporter of dry peas, lentils and dry beans to the EU. For dry peas, the most probable competition will be from the US and Ukraine, as well as lupins from Australia. The US is increasing its production of dry peas, due to their inclusion under the loan program, but most of these are going to food markets. How much the US will have available for export to the EU will depend on food market demand, growth in domestic consumption for livestock feed and the development of a feed market for dry peas in eastern Asia. Imports from Ukraine will depend on production and domestic consumption for livestock feed. Ukraine used to be a much larger producer of dry peas, but they were used domestically for livestock feed. When Ukrainian livestock production dropped, Ukraine was able to export the surplus, with the exports going mainly to the EU. Imports of lupins from Australia will depend on Australian production and the growth of feed markets in eastern Asia, where lupins are also exported for livestock feed.

For lentils, imports from Canada are expected to recover with the higher Canadian supply. However, increased competition for Canada in EU markets is expected from the US, where production has been increasing since lentils were included under the loan program. Canadian dry bean exports are expected to continue their slight upward trend, but any growth in exports of chickpeas will depend on increased Canadian production.

EU pulse crops exports are expected to continue being mainly dry peas and fababeans. The volume of exports will depend on EU production and the level of price premiums available in export food markets over domestic feed markets. The most likely scenario is a slight downward trend for exports due to growing domestic demand and a stable supply.

Romania and Bulgaria

These countries are scheduled to join the EU in 2007. They are small producers of dry peas and dry beans, but the production is generally used domestically. Bulgaria also produces and exports small quantities of chickpeas and lentils. It is possible that Bulgarian production and exports might increase when it becomes a member of the EU and its producers start receiving support payments. However, membership of Romania and Bulgaria in the EU is not expected to have significant impact on the EU supply and demand of pulse crops.

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COMPARING THE YIELDS OF HARD RED SPRING WHEAT LINES FROM CANADA AND UNITED STATES

Canada is recognized in the international marketplace as a reliable supplier of consistent, high-quality wheat, a brand image that has been successfully developed since the early 1900s. Canada's success at wheat quality assurance is related to a complex set of institutional arrangements which have constrained the adoption of certain higher-yielding varieties. Some stakeholders in the grain industry are concerned that Canada's approach sacrifices too much yield to maintain this level of branding. This issue of the *Bi-weekly Bulletin* reports on the results of a statistical analysis that compared the yield and protein level of Canadian and United States (US) hard red spring (HRS) wheat lines grown side-by-side in the Hard Red Spring Wheat Uniform Regional Nursery (HRSWURN) cooperative nursery program administered by the US Department of Agriculture (USDA). Data from 1995 to 2004 point to a yield advantage of 1.83 bushels per acre (bu/ac) or 3.68% for US HRS wheat lines but a protein advantage of 0.417% for Canadian HRS wheat lines. Given the well-known inverse relationship between protein content and yield, the results suggest that the US yield advantage is offset by the Canadian protein advantage.

INTRODUCTION

Some stakeholders in the Canadian grain industry believe that Canadian HRS wheat yields are significantly lower than those in the US. This difference is generally attributed to the commercialization of higher-yielding varieties in the US. Canada's strict variety registration system is often cited as a barrier to achieving higher yields; in particular, some believe that the quality and kernel visual distinguishability (KVD) requirements for the Canada Western Red Spring (CWRS) wheat class come at the significant expense of yield. However, a yield difference between Canadian and US HRS lines has not been conclusively documented in the literature.

Measuring and Explaining Yield Differences

Limited research in this area is related to the lack of adequate data. The wheat yield data that are released to the public through various established channels – including the USDA National Agricultural Statistics Service, the Statistics Canada Field Crop Reporting Series, and provincial crop-insurance authorities – can be used to measure yield differences at the aggregate level between locations with similar soil conditions and farming practices. However, such aggregated data sources are of limited use in establishing an unbiased measure of yield difference, since these data are not accompanied by quality parameters such as

protein content that are known to affect yield. Protein content is an internationally accepted indicator of the end-use performance of the wheat in producing flour for bread dough, and is an important quality factor for HRS wheat since most of the varieties within this class are grown for bread production. Without protein information, the farm-gate difference in revenue between two varieties with different quality parameters cannot be accurately estimated. As a result, the value of cross-border yield comparisons at the aggregate level is limited.

In a study recently commissioned by the Canadian Grain Commission (CGC) entitled *Identifying the Benefits of Moving Away from KVD*, Dr. Brian Oleson identifies an alternative data source which appears to provide some basis for comparing the yield and protein level of Canadian and US wheat lines.¹ This data source is generated by the USDA-administered Hard Red Spring Wheat Uniform Regional Nursery (HRSWURN) cooperative nursery program,

through which public and private sector wheat breeders freely submit promising lines for evaluation at several research farms in Canada and the US. Each year Agriculture and Agri-Food Canada's (AAFC) Cereal Research Centre (CRC) enters a small number of advanced breeding lines into the program, which are then randomly assigned to test plots and grown alongside American lines at several research farms throughout Canada and the US.

A broad sample of HRSWURN data from the northern plains region was used to estimate (a) whether Canadian and American HRS wheat lines differ in both yield and protein content, and (b) the magnitude of the difference. Summary statistics were calculated for the yield and protein content of Canadian and American samples spanning several years at five research farms – St. Paul, Minnesota (MN); Crookston, MN; Morris, MN; Williston, North Dakota; and Swift Current, Saskatchewan. In addition, two statistical procedures were employed to test the equality of mean, and median, yield and protein content of Canadian and American HRS wheat lines at each research location.

¹ Brian T. Oleson, "Identifying the Benefits of Moving Away from KVD, Section 2: Impact Analysis of Key Value Chain Segments, The Wheat Breeding Segment of the Value Chain, Quantification of KVD-drag: Supporting Analysis," 19 December 2003, <http://www.graincanada.gc.ca/Pubs/committee_reports/vcd/oleson_sec2_a_03-e.htm> (2 July 2005), Supporting Analysis: HRSWURN Data and Aggregate Yield Data.

WHEAT QUALITY ASSURANCE IN CANADA AND THE U.S.

This analysis did not undertake an assessment of the system of quality evaluation that is in place for spring wheat in either country. It is recognized that each country has different quality evaluation mechanisms in place and that new wheat varieties are subject to rigorous evaluations in both countries.

The Canadian System

In Canada, the federal government regulates grain classification and grading through the *Canada Grain Act* and the *Seeds Act*. The *Canada Grain Act* provides the CGC with the power to "establish and maintain standards of quality for Canadian grain and regulate grain handling in Canada, to ensure a dependable commodity for domestic and export markets."² The CGC maintains a broad set of quality standards for each class of wheat in its annual *Grain Grading Guide*, including minimum protein requirements for premium grades of wheat. The *Seeds Act* helps the CGC maintain these standards by regulating the import, export and sale of seed of non-registered varieties in Canada.

The Canadian Food Inspection Agency (CFIA) is responsible for the registration of wheat varieties for production. It takes roughly ten years to develop a new wheat variety for production in Western Canada, where 95% of Canadian wheat is grown.³ The final stage of the registration process involves at least three years of nursery trials at various breeding centres across Canada, the recommendation of a CFIA approved recommending committee, and the final approval of the CFIA.⁴ In order to be considered for final approval, new varieties must be "equal to or better than" a benchmark set by a group of three to five varieties for "agronomic performance, end-use suitability, and response to diseases."⁵

In Western Canada, wheat is classified according to visual characteristics (size, shape, and colour), with each class of wheat having its own unique visual profile. Known as KVD, this requirement provides a low-cost, efficient basis for segregating



wheat classes in the bulk handling system. To prevent non-registered varieties with the CWRS kernel type but different quality parameters from compromising the integrity of the CWRS class as it moves through the bulk handling system, non-registered varieties are only eligible for the lowest possible grade for wheat, CW Feed, regardless of their quality profile. The presence of non-registered varieties beyond defined grade tolerances in a CWRS shipment will cause that shipment to be downgraded to the CW Feed grade.

The American System

In the US, on the other hand, the federal government does not maintain a compulsory wheat classification system based on specific end uses. However, minimum standards for wheat are defined in the *US Grain Standards Act*. This legislation is largely concerned with defining minimum thresholds for damaged kernels and foreign materials for a number of grade increments, leaving other quality and agronomic considerations to the discretion of the market and state regulatory authorities.

The US federal government also plays an important role in quality assurance. Four federal USDA-ARS (Agricultural Research Service) Wheat Quality Laboratories evaluate breeding lines for the respective market classes in which they specialize to ensure agronomic and end-product quality characteristics are maintained or improved. Both public and private breeding programs may freely submit samples to these labs for quality evaluation. Despite the voluntary nature of this program, over 95% of all HRS varieties in production in the US have been rigorously evaluated for quality at one of these Laboratories. At the state level, agricultural experimental stations and various state authorities play a role in approving the release of new varieties, and

quality data from various sources are very important to local approval processes.⁶ It is important to note, however, that variety approval processes in the US are not government mandated—a breeder may, if he wishes, release a variety without government consent.

Uncertainty Over Impact of KVD Requirements

Canadian wheat breeders face several requirements that can each have an impact on the yield potential of their lines. Each Western Canadian wheat class has a unique set of agronomic, disease-resistance, and end-use quality standards that must be met or surpassed in monitored breeding trials before a new line will be considered for registration by the CFIA.

Historically, Canada's reputation for high quality wheat has been sustained by legislative initiatives aimed at guaranteeing the excellent milling quality of Canadian HRS wheat. However, there exists a trade-off between quality and quantity in wheat production, as certain quality parameters, such as protein content, are inversely related to yield. Recent improvements in baking technology have lowered the wheat quality standards required for bread production, which has led some to charge that Canada's quality standards are sacrificing too much yield potential.

Further complicating this matter is the potential yield cost of KVD. This 'visual distinguishability' requirement does not exist in the US, Canada's biggest competitor in wheat markets, putting Canadian wheat breeders at a competitive disadvantage (all other factors remaining the same) relative to their American counterparts. The potential cost of KVD is largely one of opportunity. Firstly, Canadian breeders must expend a significant amount of time incorporating this requirement into their lines—time which could otherwise be devoted to improving yield or other performance measures. Secondly, promising lines are occasionally discarded on the basis of their appearance alone. And thirdly, KVD inhibits the adoption of improved lines from the US, since they are not bred for KVD and are therefore typically ineligible for registration in the milling classes of Western Canadian wheat.

² Government of Canada, *Canada Grain Act* (Ottawa: 2002), Article 11.

³ Meristem Land & Science, *Canada in the Big Picture: Wheat Breeding Report* (2004), 22.

⁴ Ibid, 23.

⁵ Ibid, 22.

⁶ Much of this brief overview of the US quality assurance system was provided by Dr. David Garvin, Research Geneticist, USDA-ARS and Coordinator of the HRSWURN nursery program.

The complex relationship between yield, quality, and the environment makes it difficult to isolate the specific yield cost of KVD. According to Dr. Oleson, the lost yield potential in the CWRS class that is attributable to KVD appears to be less than 5%. For other classes of Canadian wheat, however, the cost may be higher. He also notes, "As a rule of thumb, for current CWRS wheat varieties, it is generally accepted that, given time, if the protein were lowered by 1%, all else staying the same, yield could be increased by 10%."⁷

THE HRSWURN PROGRAM AND DATASET

HRSWURN, administered by the USDA, is a cooperative nursery program among public and private sector wheat breeders (including AAFC) that evaluates advanced breeding lines at multiple locations in Canada and the US as illustrated in the attached map. It is a voluntary program that can also be used as a vehicle for germplasm sharing among breeders. The program is coordinated by a research geneticist who is an employee of the USDA-ARS. Advanced lines for testing are chosen by the participating scientists, not the USDA-ARS. It should be noted that there is no intent to compare Canadian and US varieties per se under this nursery program as would be the case under a variety testing program. However, individual breeders may use the data on their promising lines in support of a potential variety release.

Limitations of the Data

The HRSWURN dataset provides a basis for comparing the yields of Canadian and American wheat lines. While it represents an improvement over other more aggregate datasets, some limitations still remain. The current analysis was undertaken to compare promising Canadian and American HRS wheat lines – the ones that are relatively well-tested and are either currently registered or are likely to be approved for production. In such an analysis, the preference is to base statistical tests on a representative sample of the entire population of such lines in Canada and the US, accounting for the full range of diversity within the class of HRS wheats itself, as well as the multitude of efforts from a large cross-section of breeding programs in each country.

Limitation 1: End-Use Class Information Not Available

Unfortunately, the HRSWURN sample does not meet this idealized standard. Most of the wheat lines entered in the HRSWURN

program are in the late stages of the breeding process, and have thus not yet entered the production chain in either country. This fact severely limits the amount of information that can be inferred about each particular entry in the HRSWURN program. In most cases, there is only enough information to determine the wheat line's breeding program, from which its country of origin can be determined. While each HRSWURN entry falls under the broad HRS type, in most cases it is difficult to determine which particular class it would be registered into. In Canada, HRS varieties are sub-divided into three classes: CWRS, Canada Prairie Spring, and Canada Western Extra Strong; while in the US, HRS varieties are sub-divided into three classes as well: Dark Northern Spring, Northern Spring, and Red Spring. While it is reasonable to assume that entries in the HRSWURN program reflect the relative importance of each HRS class to each country, the assumption that the samples from Canada and the US contain a similar composition of higher quality and lower quality HRS lines may not hold. As a result, the statistical analysis cannot rule out the possibility that an observed yield or protein difference between the two countries may simply reflect different marketing considerations. For example, a sample from one country might have lower average yields simply because it contains a higher percentage of high-quality bread wheat, a fact that should be reflected in higher protein levels for that country as well. Consequently, it is difficult to isolate the potential yield cost of KVD with this data. However, given prior research results on the nature of the protein-yield tradeoff, it is plausible to use observed yield and protein differences to infer what part of a yield difference (if any) might be attributable to factors other than protein.

Limitation 2: Limited Canadian Participation

Another limitation of the HRSWURN dataset is that the Canadian sample is not representative of all breeding programs in the country, since AAFC is the only Canadian participant in the program. While in recent years private breeding programs have become more important to the Canadian wheat economy, AAFC varieties still account for roughly 82.5% of all seeded acreage of CWRS (Canada's dominant HRS class) on the prairies.⁸ Therefore, it is important to note that the statistical inferences drawn by this study are based solely on the efforts of AAFC breeding

programs. However, AAFC is still the dominant player in the Canadian HRS market, and thus for practical purposes this sample will continue to be simply referred to as Canadian.

The US sample, on the other hand, contains a diverse mix of public- and private-sector submissions. Publicly-funded US contributors include the University of Minnesota, North Dakota State University, Washington State University, South Dakota State University, Montana State University, and Idaho State University. Among the largest US private-sector HRSWURN participants are Western Plant Breeders, Agripro Wheat, and Trigen Seed. The US sample therefore appears to contain entries from a sufficient cross-section of US breeding programs to constitute a fairly representative sample of all US HRS wheat lines.

DATA ANALYSIS

The entire HRSWURN sample contains a total of 1275 yield and protein observations, 109 of which are from Canadian-made HRS wheat lines, spanning the period from 1995 to 2004 inclusive.⁹ This sample was divided into five sub-samples by research farm, and then further subdivided by country of origin (Canada or US). The summary statistics for the yield and protein content of Canadian and US entries at each location are presented in Tables 1 and 2, respectively.

The summary statistics seem to confirm the conventional wisdom that HRS yields are higher in the US, but that protein content is higher in Canada. The mean yield of US lines is higher at four out of five research farms, while the mean protein content of Canadian lines is higher at four out of five locations. Median yield and protein content show similar patterns. The weighted average yield of Canadian and American lines is 49.73 bu/ac and 51.56 bu/ac, respectively – a difference of 1.83 bu/ac. The weighted average protein content of Canadian and American lines is 15.10% and 14.68%, respectively – a difference of 0.417 percentage points.

In addition, two statistical procedures (the Wilcoxon rank sum and two-sample t-test) were employed to formally test the observed differences at each location for statistical significance. At the 90% confidence level, both of these tests revealed a statistically significant Canadian protein advantage at three out of five locations. However, the Wilcoxon test found a statistically significant US yield advantage at only one location

⁸ Canadian Wheat Board, *2004 Canadian Wheat Board Variety Survey*, 2004, <http://www.cwb.ca/en/growing/variety_survey/pdf/2004_variety_survey.pdf> (2 July 2005).

⁹ The Williston and Swift Current locations did not report results in some years during this period.

⁷ Oleson, Supporting Analysis: Expert opinion.

**TABLE 1: SUMMARY STATISTICS FOR YIELD OF SELECTED HRSWURN ENTRIES,
BY RESEARCH FARM AND WHEAT LINE'S COUNTRY OF ORIGIN**

	<i>St. Paul, MN</i>		<i>Crookston, MN</i>		<i>Morris, MN</i>		<i>Williston, ND</i>		<i>Swift Current, SK</i>	
	Canada	US	Canada	US	Canada	US	Canada	US	Canada	US
	.....yield (bushels per acre).....									
Mean	48.55	51.06	54.77	54.10	48.47	50.58	48.46	51.83	46.57	49.09
Median	41.90	48.70	52.15	53.45	51.50	51.00	48.40	51.40	41.60	44.50
Standard Deviation	20.08	15.63	19.65	18.65	16.89	16.81	10.30	12.32	14.23	16.76
Minimum	25.80	17.00	17.20	21.00	18.40	19.90	29.10	29.70	26.90	24.90
Maximum	91.60	91.70	88.10	97.70	81.20	92.60	67.30	83.60	76.80	94.80
Sample Size	26	285	26	286	23	257	19	183	15	155

**TABLE 2: SUMMARY STATISTICS FOR PROTEIN CONTENT OF SELECTED HRSWURN ENTRIES,
BY RESEARCH FARM AND WHEAT LINE'S COUNTRY OF ORIGIN**

	<i>St. Paul, MN</i>		<i>Crookston, MN</i>		<i>Morris, MN</i>		<i>Williston, ND</i>		<i>Swift Current, SK</i>	
	Canada	US	Canada	US	Canada	US	Canada	US	Canada	US
	.....protein (%).....									
Mean	15.47	14.91	15.21	14.79	14.48	14.55	16.55	15.78	13.35	12.98
Median	15.95	15.30	15.40	14.80	14.70	14.50	16.20	15.70	13.30	12.50
Standard Deviation	1.58	1.34	1.00	0.85	1.62	1.04	1.37	1.20	2.38	2.12
Minimum	11.60	10.10	13.30	12.50	10.80	11.80	14.90	13.10	8.70	8.60
Maximum	17.40	17.40	16.90	17.80	17.40	17.20	19.40	18.60	16.40	16.60
Sample Size	26	285	26	286	23	257	19	183	15	155

Source: USDA HRSWURN Program, 1995-2004

(St. Paul), and the two-sample t-test could not detect a statistically significant yield difference at any location.

CONCLUSION

While our summary statistics point to a noticeable yield advantage for US HRS wheat lines over their Canadian counterparts, statistical tests suggest that the US advantage is negligible. However, the tests do not permit us to rule out the possibility of a Canada-US yield difference entirely. Our inability to group wheat lines according to end-use class has contributed to large variances in the Canadian and US yield samples, rendering comparisons of average yield differences inconclusive. Further limiting the power of these tests is the large inequality between Canadian and US sample sizes.

The numbers in the summary statistics, themselves, strongly support the expected result of a US yield advantage, as both mean and median US yields are noticeably higher at four out of five locations. Therefore, if a US HRS yield advantage does exist, our best estimate is the difference between the weighted average yields of the two aggregate country samples, which amounts to a 1.83 bu/ac or 3.68% advantage for US lines.

On the other hand, both the summary statistics and the formal tests support the expected result of a Canadian protein advantage. Our best estimate of this advantage is the difference between the weighted average protein levels of the Canadian and US samples, which amounts to 0.417%. Therefore, if the 10% yield for 1% protein tradeoff cited in the Oleson KVD study is correct, then the observed US yield advantage of 3.68% in our sample can likely be fully explained by the 0.417% Canadian protein advantage.

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CANADA: PULSE AND SPECIAL CROPS OUTLOOK

June 28, 2005

For 2005-06, total area seeded to pulse and special crops in Canada decreased by 2%, from 2004-05, as increases for dry peas, lentils, dry beans, sunflower seed and chickpeas were more than offset by decreases for mustard seed, canary seed and buckwheat. Statistics Canada's (STC) seeded area survey, conducted during May 16 - June 3 and released on June 23, provided seeded area estimates for most pulse and special crops by province, but for some of the smaller producing provinces the area seeded has been estimated by AAFC. However, in eastern Manitoba seeding was delayed by wet weather and, therefore, the seeded area might be lower than estimated during the survey. In general, crop development is slightly behind normal due to seeding delays and lower than normal temperatures. Crop abandonment is expected to be higher than normal due to excessive moisture in parts of western Canada. Trend yields are assumed for both western and eastern Canada, as soil moisture reserves are generally good. It is assumed that precipitation will be normal for the growing and harvest periods and that average quality will be normal.

Total production in Canada is forecast to decrease by 9%, from 2004-05, to 4.75 million tonnes (Mt). Total supply is expected to increase by 2% to 5.94 Mt, as higher carry-in stocks more than offset the decrease in production. Exports and domestic use are forecast to increase moderately due to stronger demand. Carry-out stocks are expected to decrease. Average prices, over all types, grades and markets, are forecast to increase for chickpeas, mustard seed and canary seed, decrease for lentils, dry beans and sunflower seed, and be the same for dry peas and buckwheat. However, prices are expected to be sensitive to any production problems. The main factor to watch is precipitation and temperatures during the summer and fall in Canada. Other factors to watch are the exchange rates of the Canadian dollar against the US dollar and other currencies, ocean shipping rates and growing and harvest conditions in major producing regions, especially United States, European Union, Turkey, India and Australia.

DRY PEAS

For 2005-06, production and supply are forecast to decrease as a 2% rise in seeded area is more than offset by lower trend yields. Production is expected to decrease for yellow, green and other types. World supply is expected to be relatively stable at 12.7 Mt, but use is forecast to increase slightly, resulting in lower carry-out stocks. Canadian exports and domestic use are expected to increase slightly due to stronger demand in both food and feed sectors. Carry-out stocks are forecast to decrease, with a s/u of 13%. The average price, over all types, grades and markets, is forecast to be the same as in 2004-05, in line with the relatively stable world supply.

LENTILS

For 2005-06, production is forecast to decrease slightly, as a 10% rise in seeded area is more than offset by lower trend yields. Production is forecast to decrease for large, medium and small green types, but increase for the red type. Supply is expected to increase as higher carry-in stocks more than offset lower production. World supply is forecast to increase by 6% to 4.1 Mt due to higher carry-in stocks. Although world use is expected to increase, carry-out stocks are forecast to rise. Canadian exports are expected to increase due to higher demand. Carry-out stocks are forecast to rise, with a s/u of 33%. The average price, over all types and grades, is forecast to only decrease slightly from 2004-05, as pressure from higher world supply is mostly offset by support from higher average quality.

DRY BEANS

For 2005-06, production and supply are forecast to increase significantly, due to a 20% rise in seeded area, lower abandonment and higher trend yields. Production is

expected to increase for all classes, including white pea, pinto, black, dark and light red kidney, cranberry, Great Northern, small red and pink. US production is forecast to increase by 37% to 1.07 Mt, while supply increases by only 10% to 1.15 Mt due to low carry-in stocks. Canadian exports are forecast to increase due to higher supply. Carry-out stocks are expected to increase, with a s/u of 6%. The average price, over all classes and grades, is forecast to decrease due to the higher supply.

CHICKPEAS

For 2005-06, production and supply are forecast to increase, as a 65% higher seeded area and lower abandonment more than offset lower trend yields. Production is expected to increase mainly for the large kabuli type, with smaller increases for the small kabuli and desi types. World supply is expected to increase marginally to 8.9 Mt. Canadian exports are forecast to increase due to the higher supply. Carry-out stocks are expected to increase, with a s/u ratio of 12%. The average price, over all types, grades and sizes, is forecast to increase due to higher average quality.

MUSTARD SEED

For 2005-06, production and supply are forecast to decrease because of a 31% fall in seeded area and lower trend yields. Production is expected to decrease for all types, yellow, brown and oriental. Exports are forecast to rise due to higher demand and carry-out stocks are forecast to decrease, with a s/u ratio of 63%. The average price, over all types and grades, is expected to increase due to the lower supply.

CANARY SEED

For 2005-06, production and supply are forecast to decrease significantly due to a 43% fall in seeded area. World supply,

90% of which is in Canada, is forecast to decrease by 6% to 380,000 t. Canadian exports are expected to increase due to higher demand and carry-out stocks are forecast to decrease, with a s/u ratio of 55%. The average price is forecast to increase slightly because of the lower supply.

SUNFLOWER SEED

For 2005-06, production and supply are forecast to increase due to a 26% rise in seeded area, lower abandonment and higher trend yields. Production is expected to increase for both types, confectionery and oilseed. US supply is forecast to increase by 49% to 1.63 Mt. World supply is expected to increase by 5% to 28.6 Mt. Canadian exports and domestic use are forecast to increase because of the higher supply. Carry-out stocks are expected to increase, with a s/u of 6%. The average price, over both types and all grades, is forecast to decrease because of the higher supply in US and Canada.

BUCKWHEAT

For 2005-06, Canadian production and supply are forecast to increase, as a lower seeded area is more than offset by lower abandonment and higher trend yields. Exports are forecast to increase and carry-out stocks are expected to be negligible. The average price is forecast to be the same as in 2004-05, in line with a relatively stable world supply.

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CANADA: PULSE AND SPECIAL CROPS SUPPLY AND DISPOSITION

June 28, 2005

Grain and Crop Year (a)	Area		Yield t/ha	Production	Imports (b)	Total Supply	Exports (b)	Total Domestic Use (d)	Carry-out Stocks	Average Price (e) \$/t
	Seeded	Harvested								
	000 ha									
----- thousand metric tonnes -----										
Dry Peas										
2001-2002	1,344	1,285	1.57	2,023	27	2,245	1,381	589	275	190
2002-2003	1,297	1,050	1.30	1,365	41	1,681	628	743	310	210
2003-2004	1,303	1,271	1.67	2,124	24	2,458	1,316	937	205	175
2004-2005f	1,388	1,345	2.48	3,338	25	3,568	1,900	1,068	600	125-135
2005-2006f	1,410	1,365	2.10	2,870	25	3,495	1,950	1,145	400	115-145
Lentils										
2001-2002	708	664	0.85	566	6	828	478	219	131	320
2002-2003	601	387	0.91	354	9	494	320	119	55	390
2003-2004	554	536	0.97	520	5	580	368	174	38	420
2004-2005f	778	750	1.28	961	7	1,006	530	326	150	305-315
2005-2006f	860	810	1.16	940	5	1,095	570	255	270	290-320
Dry Beans										
2001-2002	184	175	1.70	298	42	390	263	97	30	725
2002-2003	230	219	1.89	414	40	484	297	107	80	445
2003-2004	167	167	2.13	356	31	467	344	83	40	495
2004-2005f	163	126	1.75	220	30	290	223	62	5	650-660
2005-2006f	196	188	1.84	345	30	380	290	70	20	510-540
Chickpeas										
2001-2002	486	467	0.97	455	12	497	146	211	140	380
2002-2003	221	154	1.01	156	9	305	105	140	60	300
2003-2004	63	63	1.08	68	2	130	74	36	20	330
2004-2005f	47	39	1.31	51	5	76	35	36	5	375-385
2005-2006f	77	70	1.14	80	5	90	45	35	10	400-430
Mustard Seed										
2001-2002	166	158	0.66	105	3	213	171	n/a	33	685
2002-2003	289	255	0.60	154	9	196	114	22	60	595
2003-2004	340	328	0.69	226	2	288	121	75	92	390
2004-2005f	317	304	1.00	305	2	399	130	79	190	290-300
2005-2006f	218	209	0.81	170	2	362	145	77	140	310-340
Canary Seed										
2001-2002	170	163	0.70	114	0	184	134	20	30	660
2002-2003	287	227	0.78	176	0	206	164	22	20	575
2003-2004	251	243	0.93	226	0	246	168	n/a	67	345
2004-2005f	356	318	0.94	300	0	367	175	37	155	225-235
2005-2006f	204	194	0.95	185	0	340	180	40	120	225-255
Sunflower Seed										
2001-2002	73	67	1.55	104	29	179	92	65	22	355
2002-2003	100	95	1.65	157	21	200	105	60	35	440
2003-2004	119	115	1.30	150	16	201	96	80	25	405
2004-2005f	87	59	0.92	54	25	104	40	59	5	485-495
2005-2006f	110	102	1.47	150	15	170	85	75	10	370-400
Buckwheat										
2001-2002	16	14	1.14	16	1	17	6	8	3	325
2002-2003	12	12	1.00	12	1	16	6	7	3	340
2003-2004	9	9	1.11	10	1	14	5	7	2	355
2004-2005f	9	7	0.71	5	1	8	3	5	0	350-360
2005-2006f	7	7	1.14	8	1	9	4	5	0	340-370
Total Pulse And Special Crops (c)										
2001-2002	3,131	2,993	1.23	3,681	120	4,553	2,671	1,218	664	
2002-2003	3,025	2,399	1.16	2,788	130	3,582	1,739	1,220	623	
2003-2004	2,797	2,732	1.35	3,680	81	4,384	2,492	1,403	489	
2004-2005f	3,136	2,948	1.78	5,234	95	5,818	3,036	1,672	1,110	
2005-2006f	3,082	2,945	1.61	4,748	83	5,941	3,269	1,702	970	

(a) August-July crop year.

(b) Excludes products.

(c) Includes Pulse Crops (dry peas, lentils, dry beans, chick peas) and Special Crops (mustard seed, canary seed, sunflower seed, buckwheat)

(d) Includes food, feed, seed, waste and dockage.

(e) Producer price, FOB plant. Average over all types, grades and markets.

f. forecast, Agriculture and Agri-Food Canada, June 28, 2005

n/a Total domestic use is calculated residually. Based on current data on exports and carry-out stocks, it appears that Statistics Canada's production estimate may be low or carry-out stocks high resulting in a very low residual.

Source: Statistics Canada and industry consultations.



CANADA: GRAINS AND OILSEEDS OUTLOOK

June 28, 2005

Statistics Canada (STC) estimates that Canadian farmers seeded about 26 million hectares (mln ha) of grains and oilseeds in the spring of 2005, unchanged from the previous year. Area has shifted from non-durum wheat, barley, corn, soybeans and summerfallow into durum, oats, flaxseed and canola. Based on these STC estimates, Agriculture and Agri-Food Canada (AAFC) forecasts that total production of grains and oilseeds in Canada in 2005 will decline by 5% from 2004, to 60 million tonnes (Mt). Western Canadian production is forecast at 45.7 Mt, down 5%. The decline is due to expectations of lower yields compared to the above-normal levels achieved for most crops in 2004, as well as increased levels of abandonment in parts of western Canada due to excess moisture. Trend yields and normal crop quality have been assumed for both western and eastern Canada. In parts of the Prairies, seeding was not completed due to wet conditions, with an estimated 0.6 to 0.8 mln ha (2-3%) not seeded. As the STC survey was completed by June 3, at which time most farmers would have expected to complete seeding all intended area, the STC seeded area estimate may be high, and could be reduced in the STC August 26 production estimate. Precipitation since April 1 has been average to well-above average across western Canada.

Despite lower production, total grain and oilseed supplies for 2005-06 are expected to rise by 2% due to larger carry-in stocks. Total Canadian exports of grains and oilseeds are forecast to increase by 10%, due to higher supply and better quality, particularly for wheat and canola. Canadian prices for all grains and oilseeds will remain pressured by lower world prices and the relatively strong Canadian dollar, although the oilseed price outlook has strengthened since last month. Factors to watch are: Chinese import demand, growing conditions in the major grain trading regions, EU grain export subsidy levels, ocean freight rates and the Canada/US exchange rate.

WHEAT (ex-durum)

For 2005-06, production is forecast to fall by 9% due to lower seeded area, increased abandonment and a return to lower trend yields. This, however, will be largely offset by higher carry-in stocks, with supply expected to decline by only 4%. The carry-in stocks are expected to largely consist of low quality wheat due to the poor quality of the 2004 crop, so that wheat feeding in 2005-06 is expected to remain historically high. Assuming normal weather this summer, the 2005 crop quality should return to normal, increasing supplies of high quality wheat. As a result, exports are forecast to rise by 1 Mt, with carry-out stocks expected to fall by about 19%. The Canadian Wheat Board (CWB) June Pool Return Outlook (PRO) for No. 1 CWRS wheat was raised slightly from May, but remains lower than for 2004-05, due to expected higher supply, with projected returns for lower quality wheat unchanged to slightly higher than last year.

DURUM

Production is forecast to decline by 3%, with increased area more than offset by lower yields and higher abandonment. Total supply is forecast to rise by 10%, however, due to a 48% increase in carry-in stocks to a record 2.65 Mt. Exports are expected to rise by 9% due to larger supplies of high quality durum and increased export demand resulting from dryness in the Mediterranean region. However, carry-out stocks are projected to increase by a further 17%, to 3.1 Mt. The CWB PRO for 2005-06 is up slightly from last month, but remains below 2004-05, largely due to the increased supply in North America.

BARLEY

Production is forecast to decrease by 7% due to lower seeded area and yields. Total supply, however, is projected to increase slightly, due to higher carry-in stocks resulting from the large production of low-quality barley in 2004-05. Exports are

expected to increase by 25%, due to higher supplies of malting quality barley and less competition in overseas feed markets. Carry-out stocks are expected to decrease by 16%. The average off-Board price of feed barley is forecast to be the same as 2004-05. Malting barley prices will be pressured by higher world production, with the CWB PRO for Special Select 2-row down by \$6/t from 2004-05 to \$174/t.

OATS

Production is expected to decline by 3%, as lower yields more than offset higher area. Total supply, however, is expected to rise by 4% as higher carry-in stocks more than offset the lower production. Carry-in stocks are forecast to rise due to below-normal exports in 2004-05 related to the poor quality of the crop and the weakness in US demand. Exports are forecast to rise by 0.2 Mt due to larger supplies and improved crop quality. Carry-out stocks are expected to return to a near-normal level. Oat prices are forecast to decline, with a smaller premium for milling oats.

CORN

Production is expected to decline by 5% due to lower seeded area and yields. This is expected to be partly offset by a 13% increase in imports, following lower corn production in eastern Canada and lower feed wheat and barley production in western Canada. Food and industrial use is forecast to rise, due to increased ethanol production. Prices are expected to remain pressured by low US corn prices.

CANOLA

Production is forecast to decline slightly, with a 9% rise in harvested area more than offset by lower yields. Total supply is forecast to rise sharply, to the 3rd highest level on record, because of burdensome carry-in stocks. Domestic crush and exports for 2004-05 remain pressured by sharply higher world oilseed supply. In 2005-06, domestic crush and exports are forecast to increase slightly but will remain

pressured by large world soybean and palm oil supplies. Carry-out stocks are projected to rise to slightly under the record high set in 1999-00. Prices are projected to increase slightly due to higher world soybean and soy oil prices.

FLAXSEED (excluding solin)

Production is forecast to rise sharply due to a 19% rise in seeded area, lower abandonment and higher yields. Total supply is expected to rise at a slower pace as low carry-in stocks moderate the higher output. Exports are projected to return to near normal levels as a result of increased supplies, stable EU and US demand, high crude oil prices and lower flaxseed prices. Total domestic use is forecast to rise to normal in 2005-06. Carry-out stocks are forecast to double but are not expected to be burdensome. Prices are forecast to decline to historically normal levels.

SOYBEANS

Production is forecast to decline slightly as a rise in projected harvested area is offset by lower yields. Supplies are expected to rise to a record 3.7 Mt as higher carry-in stocks more than offset the drop in output and imports. Domestic crush is forecast to increase on support from stronger crush margins while exports are expected to maintain the record pace of 1.0 Mt. Carry-out stocks are projected to fall, but remain historically high. Prices are forecast to rise slightly due to higher US prices.

FURTHER INFORMATION:

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CANADA: GRAINS AND OILSEEDS SUPPLY AND DISPOSITION

June 28, 2005

Grain and Crop (a)	Area		Yield t/ha	Production	Imports (b)	Total Supply	Exports (c.)	Food and Ind. Use (e)	Feed, Waste & Dockage	Total Dom- estic Use	Carry-out Stocks	Average Price (f) \$/t
	Seeded	Harvested										
	-----	000 ha-----					-----	thousand metric tonnes-----				
Durum												
2003-2004	2,483	2,459	1.74	4,280	1	5,900	3,427	252	220	684	1,788	224.21
2004-2005f	2,230	2,141	2.32	4,962	1	6,751	3,200	255	426	901	2,650	202 *
2005-2006f	2,280	2,175	2.21	4,800	1	7,451	3,500	260	391	851	3,100	195 **
Wheat Except Durum												
2003-2004	8,179	8,009	2.41	19,272	16	23,395	12,300	2,775	3,222	6,804	4,292	206.03
2004-2005f	8,111	7,722	2.71	20,898	11	25,201	11,650	2,770	4,691	8,251	5,300	186 *
2005-2006f	7,943	7,475	2.54	19,000	10	24,310	12,700	2,800	3,700	7,310	4,300	184 **
All Wheat												
2003-2004	10,662	10,467	2.25	23,552	18	29,295	15,727	3,027	3,442	7,488	6,080	
2004-2005f	10,340	9,862	2.62	25,860	12	31,953	14,850	3,025	5,117	9,153	7,950	
2005-2006f	10,223	9,650	2.47	23,800	11	31,761	16,200	3,060	4,091	8,161	7,400	
Barley												
2003-2004	5,046	4,446	2.77	12,328	36	13,838	2,445	298	8,579	9,291	2,102	135.80
2004-2005f	4,678	4,050	3.26	13,186	100	15,388	2,000	300	9,553	10,288	3,100	105-115
2005-2006f	4,580	3,990	3.09	12,320	30	15,450	2,500	380	9,565	10,350	2,600	100-120
Corn												
2003-2004	1,265	1,226	7.82	9,587	2,108	12,805	346	2,415	8,890	11,317	1,143	137.18
2004-2005f	1,185	1,072	8.24	8,836	2,400	12,378	150	2,650	8,463	11,128	1,100	95-105
2005-2006f	1,121	1,090	7.71	8,400	2,700	12,200	150	2,700	8,435	11,150	900	90-110
Oats												
2003-2004	2,272	1,575	2.34	3,691	19	4,234	1,557	140	1,581	1,888	788	136.65
2004-2005f	1,995	1,315	2.80	3,683	25	4,496	1,500	130	1,574	1,896	1,100	125-135
2005-2006f	2,019	1,395	2.55	3,560	15	4,675	1,700	170	1,710	2,075	900	110-130
Rye												
2003-2004	246	147	2.22	327	0	357	171	47	60	125	60	104.44
2004-2005f	284	165	2.53	418	1	479	230	48	109	174	75	70-80
2005-2006f	228	150	2.17	325	1	401	160	48	116	181	60	65-85
Mixed Grains												
2003-2004	241	135	2.84	384	0	384	0	0	384	384	0	
2004-2005f	220	111	2.87	318	0	318	0	0	318	318	0	
2005-2006f	215	120	2.83	340	0	340	0	0	340	340	0	
Total Coarse Grains												
2003-2004	9,070	7,529	3.50	26,317	2,162	31,618	4,519	2,899	19,495	23,006	4,093	
2004-2005f	8,362	6,713	3.94	26,441	2,526	33,060	3,880	3,128	20,018	23,805	5,375	
2005-2006f	8,163	6,745	3.70	24,945	2,746	33,066	4,510	3,298	20,166	24,096	4,460	
Canola												
2003-2004	4,736	4,689	1.44	6,771	243	7,908	3,754	3,390 ¹	113	3,545	609	387.04
2004-2005f	5,319	4,938	1.57	7,728	150	8,487	3,300	3,000 ¹	417	3,462	1,725	300-320
2005-2006f	5,593	5,370	1.40	7,500	150	9,375	3,500	3,200 ¹	530	3,775	2,100	300-340
Flaxseed												
2003-2004	745	728	1.04	754	20	903	609	n/a	n/a	202	93	382.13
2004-2005f	728	528	.98	517	40	650	450	n/a	n/a	140	60	475-525
2005-2006f	868	830	1.20	1,000	20	1,080	700	n/a	n/a	255	125	320-360
Soybeans												
2003-2004	1,051	1,047	2.17	2,268	587	3,000	914	1,500 ¹	319	1,947	140	395.04
2004-2005f	1,229	1,178	2.59	3,048	450	3,638	1,000	1,500 ¹	488	2,113	525	225-265
2005-2006f	1,207	1,200	2.46	2,950	250	3,725	1,000	1,750 ¹	465	2,325	400	240-280
Total Oilseeds												
2003-2004	6,531	6,464	1.52	9,794	850	11,811	5,277	n/a	n/a	5,693	841	
2004-2005f	7,277	6,643	1.70	11,293	640	12,774	4,750	n/a	n/a	5,715	2,310	
2005-2006f	7,668	7,400	1.55	11,450	420	14,180	5,200	n/a	n/a	6,355	2,625	
Total Grains And Oilseeds												
2003-2004	26,263	24,461	2.44	59,663	3,029	72,724	25,523	n/a	n/a	36,187	11,014	
2004-2005f	26,038	23,219	2.74	63,595	3,178	77,787	23,480	n/a	n/a	38,672	15,635	
2005-2006f	26,053	23,795	2.53	60,195	3,177	79,007	25,910	n/a	n/a	38,612	14,485	

(a) August - July crop year except corn and soybeans which are September - August.

(b) Excludes imports of products.

(c.) Includes exports of products for wheat, oats, barley, and rye. Excludes exports of oilseed products.

(d) Total = F&I + FWD + Seed Use

(e) Industrial use excludes flaxseed due to data confidentiality.

(f) Crop year average prices: No.1 CWRS 11.5% protein and No.1 CWAD 11.5% (CWB final price I/S St. Lawrence/Vancouver), Barley (No. 1 feed, WCE, cash, I/S Lethbridge), Corn (No.2 CE, cash, I/S Chatham), Oats (US No. 2 Heavy, CBoT nearby futures); Rye (No.2 Canada, Elevator bids at select western delivery points); Canola (No. 1 Canada, WCE, cash, I/S Vancouver); Flaxseed (No. 1 CW, WCE, cash, I/S Thunder Bay); Soybeans (No. 2, I/S Chatham).

* CWB Pool Return Outlook (PRO) - May 26, 2005

** CWB PRO - June 23, 2005

^{1/} Source for Food and Industrial Use is based on data from the Canadian Oilseed Processors Association.

f. forecast - Agriculture and Agri-Food Canada - June 28, 2005

Source: Statistics Canada, Cereals and Oilseeds Review Series, Cat. No. 22-007

A. SELLING PRICE OF BULK FEED INGREDIENTS AT SELECTED POINTS

June 27, 2005

SELECTED POINT	REFERENCE PERIOD	PRICE BASIS	(1) WHEAT	OATS	BARLEY	CORN	PRICE BASIS	SOYBEAN MEAL	CANOLA MEAL	MILL- FEEDS	MEAT MEAL	FISH MEAL	ANIMAL FAT	GLUTEN MEAL	GLUTEN FEED	FEED PEAS	DEHY ALFALFA	FEATHER MEAL
Vancouver	June 27, 2005	FOB	130.00	N/A	132.00	147.00		346.50	208.00	100.00		850.00	500.00					385.00
BC (4) (7)	June 27, 2005		130.00	N/A	132.00	149.00		340.50	201.00	103.00		850.00	520.00					375.00
Calgary	June 27, 2005	FOB	110.00	N/A	114.00	145.00		349.50			115.00	975.00	535.00					360.00
AB (4)	June 20, 2005		110.00	N/A	114.00	140.00		332.25			115.00	975.00	555.00					350.00
Saskatoon	June 27, 2005	FOB	92.00	136.00	91.00	138.00		351.00	N/A		130.00	N/A	535.00		130.00			400.00
SK (4)	June 20, 2005		89.50	130.00	89.00	130.00		333.75	N/A		130.00	N/A	555.00		130.00			390.00
Winnipeg	June 27, 2005	FOB	132.50	140.00	110.50	118.00		332.00	N/A		290.00	985.00	525.00		131.67			340.00
MB (4) (9)	June 20, 2005		131.00	140.00	108.50	114.00		312.25	N/A		290.00	987.50	525.00					340.00
Thunder Bay	June 27, 2005	In-Store	110.50	N/A	109.25													
ON (8)	June 20, 2005		108.00	N/A	105.25													
Lake Ports	June 27, 2005	On Board				113.06												
USA (3)	June 20, 2005	Vessel				102.30												
Bay Ports	June 27, 2005	In-Store	140.00	205.00	118.00													
ON	June 20, 2005		139.00	205.00	138.00													
Chatham	June 27, 2005	Track				114.92												
ON	June 20, 2005					110.17												
Toronto	June 27, 2005	N/A					FOB				182.00	N/A	440.00	425.00	114.00		270.00	380.00
ON (5)	June 20, 2005										182.00	N/A	430.00	425.00	114.00		270.00	360.00
Hamilton	June 27, 2005	N/A						255.81	#N/A									
ON	June 20, 2005							233.97	#N/A									
Eastern	June 27, 2005	FOB				112.50												
ON	June 20, 2005					106.00												
London	June 27, 2005	FOB												425.00	114.00			
ON	June 20, 2005													425.00	114.00			
Port Colborne	June 27, 2005	FOB					40.00							425.00	114.00			
ON	June 20, 2005						44.50							425.00	114.00			
Cardinal	June 27, 2005	FOB												425.00	114.00			
ON	June 20, 2005													425.00	114.00			
Montreal	June 27, 2005		137.00	150.00	139.00	115.00		321.37	238.30	56.67	240.00	850.00	457.50	425.00	114.00		270.00	380.00
QC (5)	June 20, 2005		137.00	150.00	139.00	115.00	FOB	296.82	217.60	53.33	235.00	850.00	457.50	425.00	114.00		270.00	370.00
Trois-Rivières	June 27, 2005	In-Store	155.00		153.50	141.33												
QC	June 20, 2005		143.50		145.00	131.88												
St. Jean QC (2)	June 27, 2005	FOB	143.03	118.16	136.46	113.14		314.70										
St. Hyacinthe QC	June 20, 2005		142.21	120.11	138.98	110.89		303.28										
Quebec	June 27, 2005	In-Store	139.67	N/A	156.28	138.29		343.55	230.40									
QC	June 20, 2005		137.50	N/A	154.97	128.67		316.81	230.40									
Truro	June 27, 2005	Track	177.67		170.40	162.20		376.73	281.46		237.05		505.00					380.00
NS	June 20, 2005		173.18		167.30	159.08	FOB	360.79	262.28		237.05		505.00					310.00
Truro	June 27, 2005	Water	N/A	N/A	N/A	N/A												
NS	June 20, 2005	& Truck	N/A	N/A	N/A	N/A												
Halifax	June 27, 2005	In-Store	N/A	N/A	N/A	N/A		388.20		297.50		1,100.00	N/A					
NS (6)	June 20, 2005		N/A	N/A	N/A	N/A	n/a	374.60		297.50		1,100.00	N/A					

Source: Market Analysis Division, Agriculture and Agri-Food Canada; Thunder Bay prices are based on the Winnipeg Commodity Exchange (WCE) market close US\$1.00=CANS1.2326, closing date June 24, 2005
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 N/A = not available

Footnotes: All prices in Canadian dollars per metric tonne based on survey respondents.

Grain grades (unless otherwise specified) are: Western or Eastern Feed Wheat, Feed Oats, No.1 Canada Western or Eastern Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn.
 Soybean Meal 48 % Protein. Canola Meal based on minimum standard of 35% Protein. Fish Meal: white fish and/or herring meal. Gluten Meal 60% Protein. Gluten Feed 21% Protein.

(1) Wheat 3CWSR. (2) Canadian Corn #3 or #2. (3) US Corn. (4) Fish Meal from West Coast 63% Protein. (5) Fish Meal 60% Protein. (6) Herring Fish Meal. (7) Fraser Valley. (8) Wheat & Barley (Basis - Cash Price WCE). (9) Oats 3CW

B. CASH PRICES AND REPLACEMENT VALUES

June 27, 2005

PRAIRIE GRAINS

Selected Points	Price Basis		This week 27-Jun-05	Last week 13-Jun-05	Month ago 30-May-05	Year ago 28-Jun-04
From: Thunder Bay(WCE) (2)	In-Store	Wheat	109.00	107.00	107.00	195.00
(CBOT)		Oat	155.25	142.75	135.25	145.60
(Lethbridge)		Barley	115.00	114.00	114.00	150.00
To: Bayport, ON (1)	In-store	Wheat	132.61	130.61	130.61	218.61
		Oat	N/A	N/A	N/A	N/A
		Barley	142.39	141.39	141.39	177.39
Montreal, QC (1)	In-store	Wheat	137.03	135.03	135.03	223.03
		Oat	N/A	N/A	N/A	N/A
		Barley	147.31	146.31	146.31	182.31
Moncton, NB	Truck via Halifax	Wheat	159.25	157.25	157.25	245.25
		Oat	N/A	N/A	N/A	N/A
		Barley	171.50	170.50	170.50	206.50
Truro, NS	Truck via Halifax	Wheat	153.22	151.22	151.22	239.22
		Oat	N/A	N/A	N/A	N/A
		Barley	169.00	168.00	168.00	204.00
Halifax, NS (1)	In-store	Wheat	144.28	142.28	142.28	230.28
		Oat	N/A	N/A	N/A	N/A
		Barley	155.30	154.30	154.30	190.30
Stephenville, NL	Track / Truck via Sydney	Wheat	207.63	205.63	205.63	293.63
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A
Melfort, SK		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A
Bayport, ON	Track	Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A
Montreal, QC	Track	Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A
Moncton, NB	Track	Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A
Truro, NS	Track	Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A
Stephenville, NL	Track / Truck via Sydney	Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A

Selected Points	Price Basis		This week 27-Jun-05	Last week 13-Jun-05	Last week 30-May-05	Year ago 28-Jun-04
Corn						
From: US Lake Port	On Board Vessel		113.06	102.30	109.11	153.02
To: Montreal, QC (1)	In-store		132.10	121.34	128.15	172.06
From: Chicago (IL)	Track		114.88	105.25	111.10	150.37
To: Montreal, QC	Track		143.74	134.11	139.95	179.23
From: Chatham, ON	Track		114.92	110.17	114.75	162.75
To: Montreal, QC	Track		138.79	134.04	138.62	186.62

Soymeal 48% Protein						
From: Hamilton, ON			255.81	233.97	230.88	515.88
To: Montreal, QC	Track		280.14	258.30	255.21	540.21
Moncton, NB	Track		298.89	277.05	273.96	558.96
Truro, NS	Track		302.11	280.27	277.18	562.18
Stephenville, NL	Track / Truck via Sydney		350.74	328.90	325.81	610.81

- Prices include ONE month of storage and interest charges
- Thunder Bay prices are based on the Winnipeg Commodities Exchange market close (Cash price)

n/a = not available

Source: Market Analysis Division, Agriculture and Agri-Food Canada

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Footnotes: All prices quoted in Canadian dollars per metric tonne.

Grain grades (unless otherwise specified) are: Canada Western Feed Wheat, Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn.

Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec.

Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable

A. SELLING PRICE OF BULK FEED INGREDIENTS AT SELECTED POINTS

July 11, 2005

SELECTED POINT	REFERENCE PERIOD	PRICE BASIS	(1) WHEAT	OATS	BARLEY	CORN	PRICE BASIS	SOYBEAN MEAL	CANOLA MEAL	MILL- FEEDS	MEAT MEAL	FISH MEAL	ANIMAL FAT	GLUTEN MEAL	GLUTEN FEED	FEED PEAS	DEHY ALFALFA	FEATHER MEAL
Vancouver	July 11, 2005	FOB	135.00	N/A	132.00	147.00		333.00	208.00	100.00	100.00	850.00	490.00					395.00
BC (4) (7)	July 4, 2005		135.00	N/A	132.00	147.00		346.50	208.00	100.00		850.00	490.00					385.00
Calgary	July 11, 2005	FOB	110.00	N/A	113.00	142.00		331.50			115.00	975.00	525.00					370.00
AB (4)	July 4, 2005		110.00	N/A	113.00	145.00		345.00			115.00	975.00	535.00					360.00
Saskatoon	July 11, 2005	FOB	92.00	136.00	91.00	133.00		335.00	N/A		120.00	N/A	525.00			129.33		410.00
SK (4)	July 4, 2005		92.00	136.00	91.00	138.00		348.50	N/A		130.00	N/A	535.00			129.33		400.00
Winnipeg	July 11, 2005	FOB	133.00	140.00	109.50	118.00		316.00	N/A		290.00	997.50	525.00					340.00
MB (4) (9)	July 4, 2005		132.50	140.00	109.00	118.00		329.50	N/A		290.00	997.50	525.00					340.00
Thunder Bay	July 11, 2005	In-Store	111.00	N/A	109.00													
ON (8)	July 4, 2005		111.00	N/A	106.00													
Lake Ports	July 11, 2005	On Board				113.18												
USA (3)	July 4, 2005	Vessel				n/a												
Bay Ports	July 11, 2005	In-Store	140.00	205.00	118.00													
ON	July 4, 2005		140.00	205.00	118.00													
Chatham	July 11, 2005	Track				115.43												
ON	July 4, 2005					108.20												
Toronto	July 11, 2005	N/A					FOB				182.00	N/A	440.00	425.00	114.00		270.00	395.00
ON (5)	July 4, 2005										182.00	N/A	440.00	425.00	114.00		270.00	385.00
Hamilton	July 11, 2005	N/A						233.14	#N/A									
ON	July 4, 2005							231.84	#N/A									
Eastern	July 11, 2005	FOB				110.00												
ON	July 4, 2005					108.00												
London	July 11, 2005	FOB												425.00	114.00			
ON	July 4, 2005													425.00	114.00			
Port Colborne	July 11, 2005	FOB								40.00				425.00	114.00			
ON	July 4, 2005									40.00				425.00	114.00			
Cardinal	July 11, 2005	FOB												425.00	114.00			
ON	July 4, 2005													425.00	114.00			
Montreal	July 11, 2005		141.00	150.00	140.50	115.00		295.31	217.55	54.00	245.00	850.00	452.00	425.00	114.00		270.00	380.00
QC (5)	July 4, 2005		139.00	150.00	139.00	118.00	FOB	294.40	215.55	56.67	245.00	850.00	452.00	425.00	114.00		270.00	380.00
Trois-Rivières	July 11, 2005	In-Store	155.00		149.40	138.67												
QC	July 4, 2005		151.40		147.10	131.29												
St. Jean QC (2)	July 11, 2005	FOB	147.00	118.24	126.26	113.74		299.33										
St. Hyacinthe QC	July 4, 2005		143.69	118.18	123.81	110.80		299.33										
Quebec	July 11, 2005	In-Store	145.67	N/A	160.74	135.28		314.08	219.93									
QC	July 4, 2005		141.00	N/A	156.85	131.49		314.40	223.40									
Truro	July 11, 2005	Track	174.65		170.40	162.07		368.05	281.46				505.00					380.00
NS	July 4, 2005		153.15		170.40	158.72	FOB	354.72	281.46				505.00					380.00
Truro	July 11, 2005	Water	N/A	N/A	N/A	N/A												
NS	July 4, 2005	& Truck	N/A	N/A	N/A	N/A												
Halifax	July 11, 2005	In-Store	N/A	N/A	N/A	n/a		356.00		297.50		1,100.00	N/A					
NS (6)	July 4, 2005		N/A	N/A	N/A	n/a		361.00		297.50		1,100.00	N/A					

Source: Market Analysis Division, Agriculture and Agri-Food Canada; Thunder Bay prices are based on the Winnipeg Commodity Exchange (WCE) market close US\$1.00=CANS1.2208, closing date July 8, 2005
Contact: Valérie Chartier A/Statistical Clerk Telephone: (204) 983-0581 Fax: (204) 983-5524 Email: chartier@agr.gc.ca
N/A = not available

Footnotes: All prices in Canadian dollars per metric tonne based on survey respondents.

Grain grades (unless otherwise specified) are: Western or Eastern Feed Wheat, Feed Oats, No.1 Canada Western or Eastern Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn.
Soybean Meal 48 % Protein. Canola Meal based on minimum standard of 35% Protein. Fish Meal: white fish and/or herring meal. Gluten Meal 60% Protein. Gluten Feed 21% Protein.

(1) Wheat 3CWRS (2) Canadian Corn #3 or #2 (3) US Corn (4) Fish Meal from West Coast 63% Protein (5) Fish Meal 60% Protein (6) Herring Fish Meal (7) Fraser Valley (8) Wheat & Barley (Basis - Cash Price WCE) (9) Oats 3CW

B. CASH PRICES AND REPLACEMENT VALUES

July 11, 2005

PRAIRIE GRAINS

Selected Points		Price Basis		This week 11-Jul-05	Last week 27-Jun-05	Month ago 13-Jun-05	Year ago 28-Jun-04
From: Thunder Bay(WCE) (2)		In-Store	Wheat	109.00	109.00	107.00	195.00
			Oat	169.00	155.25	142.75	145.60
			Barley	112.50	115.00	114.00	150.00
To: Bayport, ON (1)		In-store	Wheat	132.61	132.61	130.61	218.61
			Oat	N/A	N/A	N/A	N/A
			Barley	139.89	142.39	141.39	177.39
			Wheat	137.03	137.03	135.03	223.03
			Oat	N/A	N/A	N/A	N/A
			Barley	144.81	147.31	146.31	182.31
Moncton, QC (1)		In-store	Wheat	159.25	159.25	157.25	245.25
			Oat	N/A	N/A	N/A	N/A
			Barley	169.00	171.50	170.50	206.50
Moncton, NB		Truck via Halifax	Wheat	153.22	153.22	151.22	239.22
			Oat	N/A	N/A	N/A	N/A
			Barley	166.50	169.00	168.00	204.00
Truro, NS		Truck via Halifax	Wheat	144.28	144.28	142.28	230.28
			Oat	N/A	N/A	N/A	N/A
			Barley	152.80	155.30	154.30	190.30
Halifax, NS (1)		In-store	Wheat	207.63	207.63	205.63	293.63
			Oat	N/A	N/A	N/A	N/A
			Barley	N/A	N/A	N/A	N/A
Stephenville, NL		Track / Truck via Sydney	Wheat	N/A	N/A	N/A	N/A
			Oat	N/A	N/A	N/A	N/A
			Barley	N/A	N/A	N/A	N/A
Melfort, SK			Wheat	N/A	N/A	N/A	N/A
			Oat	N/A	N/A	N/A	N/A
			Barley	N/A	N/A	N/A	N/A
		Track	Wheat	N/A	N/A	N/A	N/A
			Oat	N/A	N/A	N/A	N/A
			Barley	N/A	N/A	N/A	N/A
Bayport, ON			Wheat	N/A	N/A	N/A	N/A
			Oat	N/A	N/A	N/A	N/A
			Barley	N/A	N/A	N/A	N/A
		Track	Wheat	N/A	N/A	N/A	N/A
			Oat	N/A	N/A	N/A	N/A
			Barley	N/A	N/A	N/A	N/A
Moncton, QC			Wheat	N/A	N/A	N/A	N/A
			Oat	N/A	N/A	N/A	N/A
			Barley	N/A	N/A	N/A	N/A
		Track	Wheat	N/A	N/A	N/A	N/A
			Oat	N/A	N/A	N/A	N/A
			Barley	N/A	N/A	N/A	N/A
Moncton, NB			Wheat	N/A	N/A	N/A	N/A
			Oat	N/A	N/A	N/A	N/A
			Barley	N/A	N/A	N/A	N/A
		Track	Wheat	N/A	N/A	N/A	N/A
			Oat	N/A	N/A	N/A	N/A
			Barley	N/A	N/A	N/A	N/A
Truro, NS			Wheat	N/A	N/A	N/A	N/A
			Oat	N/A	N/A	N/A	N/A
			Barley	N/A	N/A	N/A	N/A
		Track / Truck via Sydney	Wheat	N/A	N/A	N/A	N/A
			Oat	N/A	N/A	N/A	N/A
			Barley	N/A	N/A	N/A	N/A
Stephenville, NL			Wheat	N/A	N/A	N/A	N/A
			Oat	N/A	N/A	N/A	N/A
			Barley	N/A	N/A	N/A	N/A

Selected Points		Price Basis		This week 11-Jul-05	Last week 27-Jun-05	Last week 13-Jun-05	Year ago 28-Jun-04
Corn							
From: US Lake Port		On Board Vessel		112.10	n/a	102.30	153.02
To: Montreal, QC (1)		In-store		131.14	n/a	121.34	172.06
From: Chicago (IL)		Track		110.66	110.66	105.25	150.37
To: Montreal, QC		Track		139.52	139.52	134.11	179.23
From: Chatham, ON		Track		111.99	111.99	110.17	162.75
To: Montreal, QC		Track		135.86	135.86	134.04	186.62

Soymeal 48% Protein

From: Hamilton, ON				233.14	233.14	233.97	515.88
To: Montreal, QC		Track		257.47	257.47	258.30	540.21
Moncton, NB		Track		276.22	276.22	277.05	558.96
Truro, NS		Track		279.44	279.44	280.27	562.18
Stephenville, NL		Track / Truck via Sydney		328.07	328.07	328.90	610.81

1. Prices include ONE month of storage and interest charges n/a = not available
 2. Thunder Bay prices are based on the Winnipeg Commodities Exchange market close (Cash price)

Source: Market Analysis Division, Agriculture and Agri-Food Canada

Contact: Valérie Chartier: A/Statistical Clerk (204) 983-0581 Fax: (204) 983-5524 e-mail: chartierv@agr.gc.ca

Footnotes: All prices quoted in Canadian dollars per metric tonne.

Grain grades (unless otherwise specified) are: Canada Western Feed Wheat, Feed Oats, No. 1 Canada Western Barley, No. 2 Canada Yellow Corn, No. 3 US Yellow Corn.

Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec.

Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable

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UKRAINE

Ukraine is one of the major grains and oilseeds producers in the world. As such, Ukraine has the potential to affect the markets for agricultural commodities as it did in 2001 and 2002 when world wheat prices were unexpectedly pressured by a substantial amount of low priced wheat from Ukraine. Since then, commodity traders have been careful not to overlook the potential for a similar occurrence when formulating their price forecasts. This issue of the *Bi-weekly Bulletin* looks at the situation and outlook for Ukraine's grains and oilseeds sector, and examines the implications for Canada's grains and oilseeds sector.

BACKGROUND

Economy

Ukraine is well positioned in terms of its endowment of natural resources and the potential for exploiting those resources. Specifically, it is the rich farmlands that characterize its steppe that have long been considered the "breadbasket" of Eastern Europe, producing much of the wheat, corn, barley, rye, and sunflowers grown in the region.

Ukraine also holds large reserves of minerals and important sources of power for its well-developed industrial base. Some of the best known products of its industrial sector include machinery, steel, rolled metal, farm equipment, building materials, fertilizers, and other agricultural chemicals. Western Ukraine is largely agricultural, but it has significant oil reserves in the areas around Drohobych and Boryslav, natural gas near Dashava, and coal deposits in the area near Novonolynsk. To accommodate some of Ukraine's transportation needs, Odesa is the primary port located on the Black Sea for receiving and dispatching marine shipments.

The collapse of the Soviet Union in 1991 was largely responsible for the dramatic and catastrophic decrease in Ukraine's economic well-being during the 1990s. Between 1990 and 1999, Ukraine's Gross Domestic Product (GDP) fell by about 60%, with the largest annual decrease occurring in 1994 when GDP fell by about 23%. The first evidence of economic recovery appeared in 2000, and the Ukrainian economy has since experienced several consecutive years of positive growth, with GDP growth peaking at a record 12% in 2004. The improvement in Ukraine's economic performance is largely attributed to the ability of Ukrainian

enterprises to adapt to the realities and demands of a market economy.

However, Ukraine's economic performance ranks well below that of other central European countries. In 2003, Ukraine's real per capita GDP was estimated at US\$5,200; half of that in neighboring Poland and well below that in Russia, Turkey and Kazakhstan. Ukraine's low level of per capita GDP is suspected of being at least partially offset by the existence of a significant "unofficial" economy.

Ukraine's exports contribute to about 40% of its economic activity, which is incidentally similar to the situation in Canada. Although there is some vulnerability associated with Ukraine's dependence on foreign markets, as in Canada, the possibilities for growth are virtually limitless.

Agriculture

Traditional industrial activity continues to contribute to Ukraine's economy, but it is agriculture that has performed particularly well in recent years. For 2004, the growth in the agricultural sector is estimated at 20%, exceeding the growth in the construction sector of 18%.

There are some restrictions to Ukraine's ability to realize economic and financial efficiency for its agricultural sector. For instance, the number of functioning tractors, combines, and field implements continues to fall short of what is required. Furthermore, artificially depressed prices for farm commodities, a product of government policy, have resulted in increased farmer debt loads and this has made it difficult for many farmers to purchase the equipment they need for production efficiency.

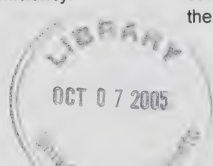
A longer-term consequence of persistently low prices is that much of the land currently held by small farmers could fall under the ownership of large scale operators as small farmers are forced to sell off their land to pay down debt. The ban on buying and selling land is scheduled to be lifted in 2005.

There is also a concern that, should Ukraine be successful in gaining membership to the World Trade Organization (WTO), it might not reap nearly the full benefits they expect from acquiring that status. Detractors argue that, since 1994 when it first applied for membership in the WTO, Ukraine has done little to adjust its primary production and processing activities to meet world quality standards.

CANADA/UKRAINE TRADE

In 2004, bilateral trade between Canada and Ukraine was CAN\$218 million (M), up from CAN\$144M in 2003. During this period, Ukrainian exports to Canada more than doubled to CAN\$161M, while Canadian exports to Ukraine decreased slightly to CAN\$57M. The largest increase in Ukraine's exports to Canada was that of flat, hot-rolled products of iron and non-alloy steel. Some of the major Canadian exports to Ukraine are textile fabrics, motor vehicles, frozen fish, farm equipment, and poultry products.

At a meeting in April 2004 between Canada's Ambassador to Ukraine, Andrew Robinson, and Ukraine's Minister of Economy and European Integration of Ukraine, Mykola Derkach, Ukraine emphasized its interest in expanding trade relations with Canada on a bilateral basis, as well as on a multilateral basis, particularly within the framework of the WTO. In preparation for potentially joining the WTO, Ukraine has already signed



Canada

25 agreements with member countries on market access.

Ukraine is particularly interested in attracting foreign investment from Canada, especially given that general climate for foreign investment in Ukraine has improved considerably in recent years. On a more negative note, Ukraine has experienced one of the lowest levels of Foreign Direct Investment in Eastern Europe but, with recent positive developments in the Ukrainian economy, there has been increased interest from foreign investors.

Business Environment

Privatization and foreign investment has proceeded slowly, relative to other former communist countries. Ukraine's limited progress is attributed to over-regulation and state interference, most of which is aimed at protecting existing enterprises from domestic competition and foreign ownership. Studies by the International Monetary Fund and the World Bank suggest higher levels of corruption in Ukraine than in any other nearby country.

Ukraine's Seed Market

Ukraine is a net importer of planting seeds, most of which are field crop seeds. Seed import procedures are relatively complex but not insurmountable if properly coordinated. Imports are regulated by several legislative acts including the Laws on Seeds, Plant Quarantine, Protection of Plant Varieties, and Sanitary and Epidemiological Well-being of the Ukrainian Population. One time permits may also be issued for varieties that are not included in the State Register of Plant Varieties.

Ukraine's imports of field crop seeds are, in order of value, corn, sunflower, soft wheat, rapeseed, barley, sorghum, flax, hard wheat, and soybeans. In 2003-2004, Ukraine's

imports of field crop seeds totaled US\$40M, up from US\$18M in 2002-2003. United States (US) suppliers have captured about 9% of this burgeoning seed market by capitalizing on the higher Euro relative to the US dollar. The Ukrainian *hryvnya* is unofficially pegged to the US dollar, which currently makes it easier for the US to compete with European Union (EU) suppliers despite the higher transportation costs the US has relative to its EU competitors. For 2004-2005, Canada's exports of field crop seeds to Ukraine are forecast at well over CAN\$80,000, more than triple the 2003-2004 figure.

SITUATION

For 2004-2005, Ukraine produced, as estimated by the United States Department of Agriculture (USDA), a record 41.5 million tonnes (Mt) of its major field crops, specifically barley, wheat, corn, oats, and sunflower seed. The large crop is attributed to a record harvested area and a near record yield for the 2004-2005 year. Incidentally, Ukraine's total production of major field crops for 2004-2005 is nearly double its 2003-2004 production which was seriously affected by poor growing conditions.

Wheat

Ukraine's **wheat**, which has traditionally been of relatively low quality and typically destined for the feed markets in North Africa, the EU, South Korea, Israel, the Philippines, and Indonesia. But there are exceptions.

For 2004-2005, Ukraine's wheat **production** is estimated at 17.5 Mt, nearly five times the

amount of wheat produced in 2003-2004 when yields and harvested area were dramatically reduced by poor weather. Despite a record yield in 2004-2005, Ukraine's wheat production is significantly less than in 2001-2002 when Ukraine produced a record 21.3 Mt of wheat on a record 6.9 million hectares (Mha) of land.

For 2004-2005, Ukraine's **exports** are estimated 4.2 Mt, following a disastrous year when its exports were virtually non-existent. However, exports for 2004-2005 are still considerably less than in 2001-2002 and 2002-2003 when Ukraine exported 5.5 Mt and a record 6.6 Mt, respectively. **Feed use** for 2004-2005 is estimated at 2.2 Mt, up from 0.2 Mt in 2003-2004, and **carry-out stocks** are estimated at 2.7 Mt, up from 1.1 Mt the previous year.

Wheat Exports to Canada

In 2001-2002 and 2002-2003, which were unusually dry years in western Canada, about 70,000 tonnes (t) and 150,000 t, respectively, of Ukrainian wheat were exported to Canada, most of which landed in Quebec. Since then, there have been virtually no exports of Ukrainian wheat to Canada.

UKRAINE: MAJOR FIELD CROPS* SUPPLY AND DISPOSITION

	2002 -2003	2003 -2004	2004 -2005	2005 -2006
.....thousand tonnes.....				
Carry-in Stocks	5,315	5,611	2,839	5,534
Production	39,313	22,477	41,450	36,800
Imports	853	3,408	112	142
Supply	45,481	31,496	44,401	42,476
Exports	10,607	3,780	10,655	10,695
Feed Use	13,183	10,546	13,161	11,950
Other	16,080	14,331	15,051	15,670
Total Use	39,870	28,657	38,867	38,315
Carry-out Stocks	5,611	2,839	5,534	4,161

* Barley, wheat, corn, oats, and sunflower seed

Source: USDA-FAS, July 2005

UKRAINE: WHEAT SUPPLY AND DISPOSITION

	2002 -2003	2003 -2004	2004 -2005	2005 -2006
<i>July-June</i> <i>crop year</i>				
.....thousand tonnes.....				
Carry-in Stocks	2,961	3,258	1,131	2,680
Production	20,556	3,600	17,500	18,000
Imports	810	3,365	50	50
Supply	24,327	10,223	18,681	20,730
Exports	6,569	66	4,200	5,000
Feed Use	4,000	225	2,200	3,300
Other	10,500	8,801	9,601	10,000
Total Use	21,069	9,092	16,001	18,300
Carry-out Stocks	3,258	1,131	2,680	2,430

UKRAINE: BARLEY SUPPLY AND DISPOSITION

	2002 -2003	2003 -2004	2004 -2005	2005 -2006
<i>October-September</i> <i>crop year</i>				
.....thousand tonnes.....				
Carry-in Stocks	1,324	1,424	796	1,246
Production	10,364	6,850	11,100	8,500
Imports	19	39	50	80
Supply	11,707	8,313	11,946	9,826
Exports	2,883	1,517	4,300	4,000
Feed Use	5,500	4,500	4,700	3,500
Other	1,900	1,500	1,700	1,500
Total Use	10,283	7,517	10,700	9,000
Carry-out Stocks	1,424	796	1,246	826

Source: USDA-FAS, July 2005

Following discovery of two regulated plant pests (flag smut and dwarf bunt) in three consecutive shipments, the Canadian Food Inspection Agency cancelled in December, 2002 all import permits for Ukrainian wheat entering Canada. In 2004, a team of Ukrainian plant inspectors came to Canada to learn ways and procedures to minimize the risk of pests in grain handling. Government officials continue to work with their Ukrainian counterparts to address this issue.

Barley

For 2004-2005, Ukraine's barley **production** is estimated at a record 11.1 Mt, up considerably from 6.9 Mt in 2003-2004, when barley yields were the lowest in recent history. **Exports** for 2004-2005 are estimated at a record 4.3 Mt, nearly triple the 2003-2004 figure, and **carry-out stocks** are estimated at 1.2 Mt, up from 0.8 Mt in 2003-2004.

Corn

For 2005-2006, Ukraine's corn **production** is estimated at a record 8.8 Mt, up significantly from 6.9 Mt in 2003-2004. The increase is due to a combination of a record yield and record harvested area. As a result of record supplies, **exports** are estimated at a record

2.1 Mt, **feed use** is estimated at a record 5.3 Mt, and **carry-out stocks** are also estimated at a record 1.6 Mt.

Oats

For 2004-2005, Ukraine's oat **production** is estimated at 1.0 Mt, up slightly from 0.9 Mt during the previous year, as improved yields more than offset slightly lower harvested area. With increased supplies domestic **consumption** is expected to have increased accordingly, to 1.0 Mt. Ukraine typically **exports** very little, if any, of oat production.

Sunflower Seed

For 2004-2005, sunflower seed **production** in Ukraine is estimated at 3.1 Mt, down from 4.3 Mt in 2003-2004, as farmers cut back on area seeded to sunflower seed. With supplies at the lowest level since 2001-2002, 2004-2005 **crush** is at 2.9 Mt, down from 3.2 Mt in 2003-2004. **Carry-out stocks**, as in previous years, are expected to be low.

OUTLOOK

Political and Economic Considerations

The presidential election that occurred in late 2004 is expected to translate into greater political openness and accelerated economic reform in Ukraine. Despite the political and economic setbacks it has experienced over the past few years, Ukraine has managed to demonstrate its potential as an up and coming world market.

In terms of Ukraine's economic outlook, forecasters are expecting the Ukrainian *hyvnya* to appreciate against the US dollar. Should this occur, depending on the magnitude of the

appreciation, Ukraine's ability to improve its trade balance could be stifled.

Weather Conditions

Crop yields in the major growing areas of Ukraine appear to have been negatively affected by drought, particularly because many of the winter cereal crops were at the critical heading stage at the time of that drought conditions occurred. The situation, however, is not expected to be nearly as serious as weather conditions during the 2003-2004 crop year when crop yields and harvested area were greatly reduced.

Supply, Exports and Feed Use

In Ukraine, feed use is normally about 30% of the available supply of its five major field crops, i.e., wheat, barley, corn, rye and sunflower seed, while exports are about 20%. Historically, exports have decreased to about 10% of the available supply during periods of reduced production.

Feed use for 2005-2006 is forecast at 12.0 Mt, consistent with the 42.5 Mt of available supply of major field crops and lower than the levels recorded in 2004-2005 when supplies were 44.4 Mt.

For 2005-2006, Ukraine is expected to **export** 10.7 Mt of its major field crops, virtually unchanged from the previous year. This is about one-quarter of its total production of major field crops. Of total exports for 2005-2006, wheat and barley are expected to account for about 50% and 40%, respectively.

In addition to lower feed use due to lower available supplies, **carry-out stocks** are also forecast to decrease to 4.2 Mt, from 5.5 Mt in 2004-2005.

UKRAINE: CORN SUPPLY AND DISPOSITION

October-September crop year	2002 -2003	2003 -2004	2004 -2005	2005 -2006
.....thousand tonnes.....				
Carry-in Stocks	940	832	844	1,554
Production	4,180	6,850	8,800	5,500
Imports	23	0	10	10
Supply	5,143	7,682	9,654	7,064
Exports	811	1,238	2,100	1,100
Feed Use	2,800	4,900	5,300	4,400
Other	700	700	700	700
Total Use	4,311	6,838	8,100	6,210
Carry-out Stocks	832	844	1,554	854

UKRAINE: OATS SUPPLY AND DISPOSITION

October-September crop year	2002 -2003	2003 -2004	2004 -2005	2005 -2006
.....thousand tonnes.....				
Carry-in Stocks	85	72	40	35
Production	943	925	1,000	800
Imports	0	2	0	0
Supply	1,028	999	1,040	835
Exports	6	9	5	5
Feed Use	800	800	850	650
Other	150	150	150	150
Total Use	956	959	1,005	805
Carry-out Stocks	72	40	35	30

Source: USDA-FAS, July 2005

UKRAINE: SUNFLOWER SEED SUPPLY AND DISPOSITION

	2002 -2003	2003 -2004	2004 -2005	2005 -2006
.....thousand tonnes.....				
Carry-in Stocks	5	25	28	19
Production	3,270	4,252	3,050	4,000
Imports	1	2	2	2
Supply	3,276	4,279	3,080	4,021
Exports	338	950	50	590
Feed Use	83	121	111	100
Crush	2,800	3,150	2,870	3,270
Other	30	30	30	40
Total Use	3,251	4,251	3,061	4,000
Carry-out Stocks	25	28	19	21

Source: USDA-FAS, July 2005

UKRAINE: INTERNATIONAL DEVELOPMENT

Ukraine is a priority country for AAFC's international development activities. Canada was a significant contributor to election observation missions in 2004. Ukraine is also one of the 25 priority countries identified by the Canadian International Development Agency (CIDA) in April 2005.

AAFC undertook a needs assessment study in Ukraine in October, 2004, identifying a broad range of opportunities for capacity building and technical assistance from Canadian expertise, which are currently being reviewed. Two projects are already underway. The Saskatchewan Trade and Export Partnership is working with AAFC, with funding from CIDA's Facility for Agriculture Reform and Modernization program to provide irrigation assistance. Secondly, AAFC is developing a generic training module for Business Risk Management support, and Ukraine is being used as a case study to help develop that module.

CIDA is also supporting a Grain Quality and Handling Project, involving the Canadian Grain Commission, which is intended to improve grain quality in Ukraine and to implement a system of cash advance loans, through warehouse storage receipts, in order to allow for small farmers and large-scale producers to compete on the international market and to expand domestic markets. It is valued at \$3.215 million and running from 2003 to 2007.

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Wheat

For 2005-2006, Ukraine's wheat **production** is forecast by USDA at 18.0 Mt, up slightly from 17.5 Mt in 2004-2005, as increased harvested area more than offsets lower yield forecasts. Projections for higher **carry-in stocks** further contribute to the increased wheat supply expected in 2005-2006.

Exports are forecast at 5.0 Mt, up from 4.2 Mt in 2004-2005, and **feed use** is forecast at 3.3 Mt, up from 2.2 Mt in 2004-2005. **Carry-out stocks** are forecast at 2.4 Mt, down from 2.7 Mt in 2004-2005.

Barley

For 2005-2006, barley **production** is forecast at 8.5 Mt, due to significantly lower harvested area and yields. The lower production figure is expected to more than offset high **carry-in stocks**, resulting in a relatively low supply of barley for 2005-2006. However, **exports** are forecast to decrease marginally from 4.3 Mt in 2004-2005, to 4.0 Mt in 2005-2006. **Feed use** is forecast at 3.5 Mt, down from 4.7 Mt in 2004-2005 and **carry-out stocks** are forecast at 0.8 Mt, down from 1.2 Mt in 2004-2005.

Ukraine's **barley** exports are primarily feed quality. In fact, Ukrainian malt producers have often complained about shortages of high quality malting barley required to meet the industry's strict malt specifications. This offers some explanation as to why a near record 80,000 t of barley is expected to be imported by Ukraine in 2005-2006, at a time when its barley exports are at a near record 4.0 Mt. Ukraine's primary customers for its barley are: in order of importance, Saudi Arabia; the Middle East (Israel, Syria,

Jordan); North Africa; Japan; the EU; Iran; and Former Soviet Union countries.

Corn

For 2005-2006, corn **production** is forecast at 5.5 Mt, down from 8.8 Mt in 2004-2005, due to significantly lower harvested area and a decline in yields. With lower supplies expected for 2005-2006, **exports** are forecast at 1.1 Mt, down from 2.1 Mt, and **feed use** is forecast at 4.4 Mt, down from 5.3 Mt. **Carry-out stocks** for 2005-2006 are forecast at 0.9 Mt, down from 1.6 Mt in 2004-2005.

Oats

For 2005-2006, oat **production** is forecast at 0.8 Mt, down from 1.0 Mt in 2004-2005, due to a combination of lower harvested area and a decline in yields. With a significantly lower supply of oats forecast for 2005-2006, **feed use** is forecast at 0.7 Mt, down from 0.9 Mt in 2004-2005, but **carry-in stocks** are expected to remain virtually unchanged at 0.03 Mt.

Sunflower Seed

For 2005-2006, sunflower seed **production** is forecast at 4.0 Mt, up from 3.1 Mt in 2004-2005 and the 5-year average of 3.3 Mt. With the expected increase in supplies in 2005-2006, **exports** are forecast at 0.6 Mt, up dramatically from 0.05 Mt in 2004-2005. **Domestic use** is forecast at 3.4 Mt, up from 3.0 Mt in 2004-2005, and **carry-out stocks** are expected to remain virtually unchanged from previous years.

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CANADA: GRAINS AND OILSEEDS OUTLOOK

August 11, 2005

The area seeded to grains and oilseeds (G&O) in 2005-06 is estimated to have declined by about 0.6 million hectares (Mha) from 2004-05, to 25.5 Mha, as many fields were unseeded in eastern Manitoba because of excessive rain in May and June. Although abandonment is expected to be higher than normal in this region, normal abandonment is assumed in other regions, and total Canadian harvested area is forecast to rise marginally, to 23.4 Mha. Yields in Saskatchewan are forecast to be above-trend due to higher than normal precipitation. Growing conditions are mixed across Canada, with crop development ahead of normal across the western prairies but behind normal in eastern Manitoba. In eastern Canada, yields are expected to be below trend due to hot temperatures and a lack of moisture.

Production of G&O is forecast to decline by 2% from 2004-05, to 62 million tonnes (Mt), as lower expected wheat and coarse grain output more than offsets a rise in oilseed production. Despite lower production, the total supply of G&O for 2005-06 is forecast to rise by 5% to the highest levels since 2001-02, due to the largest carry-in stocks in over a decade. Assuming normal growing and harvest conditions, quality is expected to return to normal for 2005-06. As a result, total Canadian exports of G&O are forecast to rise by 15%. Canadian prices will remain pressured by low world prices and by burdensome world stocks. Factors to watch are: weather conditions across the US and Canada, the severity of disease and insect outbreaks, crude oil prices and the Canada/US exchange rate.

WHEAT (ex-durum)

For 2005-06, production is forecast to fall by 7%, due to the lower seeded area, with yields expected to be well above normal for the second year in a row. Supplies are projected to decline only marginally, due to the sharp rise in carry-in stocks, which are expected to be largely of feed quality because of the poor quality of the 2004 crop. Consequently, feed usage is forecast to remain historically high for 2005-06. Assuming normal quality, exports are forecast to rise by 15% while carry-out stocks fall by 18%. The Canadian Wheat Board (CWB) July Pool Return Outlook (PRO) for No.1 CWRs wheat was unchanged from June, remaining \$3/t below 2004-05.

DURUM

Production is forecast to rise slightly due to increased seeded area and reduced abandonment. Carry-in stocks are expected to increase by about 50% to a record 2.7 Mt, with total supply rising by 16% to a record 7.8 Mt. Exports are expected to increase by 16% due to increased supplies of high quality durum and increased export demand due to dryness in North Africa and southern Europe. However, carry-out stocks are projected to rise by a further 19%, to 3.2 Mt. The CWB PRO for 2005-06 declined slightly from June, and remains below 2004-05, due to burdensome North American supplies.

BARLEY

Production is forecast to increase marginally as higher yields more than offset lower harvested area. Total supply is projected to increase by 6%, due to higher carry-in stocks resulting from the large production of low-quality barley in 2004-05. Exports are expected to rise by 35%, due to higher exportable supplies of malting quality barley and

less competition in overseas feed barley markets. Carry-out stocks are expected to remain burdensome. The off-Board feed barley price is forecast to average \$115/t I/S Lethbridge, slightly above 2004-05. Malting barley prices will be pressured by higher world production, with the CWB PRO for SS 2-row down by \$5/t from 2004-05 to \$173/t.

OATS

Production is forecast to decrease marginally as lower yields more than offset higher area. Total supply, however, is expected to rise by 5%, due to higher carry-in stocks, which resulted from below-normal exports in 2004-05 related to the poor crop quality. Exports are forecast to rise by 0.2 Mt due to larger supplies and improved crop quality. Carry-out stocks are expected to decrease. Oat prices are forecast to decline, with a smaller premium for milling oats.

CORN

Production is forecast to decline by 8% as lower yields in Ontario more than offset higher harvested area. This is expected to be partly offset by a 17% increase in corn imports, partly due to lower imports of feed wheat and barley from western Canada. Food and industrial use is forecast to rise, due to increased ethanol production. Prices are expected to rise by about \$10/t from 2004-05 to average \$110/t at the Chatham elevator.

CANOLA

Production is forecast to increase significantly due to increased harvested area and yields. Carry-in stocks are expected to be sharply higher, so that total supply increases to a record 10.1 Mt. Domestic crush and exports are forecast to increase slightly but will be pressured by large world supplies of

soybean and palm oil. Carry-out stocks are projected at a record 2.8 Mt. Prices are projected to decrease marginally due to higher world canola/rapeseed supplies.

FLAXSEED (excluding solin)

Production is forecast to rise sharply due to higher harvested area and supplies are expected to rise by about 75% from the frost-reduced level of 2004-05. Exports are projected to increase as a result of increased supplies, stable EU and US demand, high crude oil prices and lower flaxseed prices. Total domestic use is forecast to rise slightly. Carry-out stocks are forecast to almost triple but remain within historical norms. Prices are forecast to decline to historically normal levels.

SOYBEANS

Production is forecast to decrease slightly as a higher harvested area is more than offset by lower yields in Ontario. However, domestic supplies are expected to increase due to high carry-in stocks. Imports are therefore forecast to decline. Domestic crush is forecast to increase on support from stronger crush margins while exports are projected to remain unchanged from 2004-05. Carry-out stocks are expected to fall, but remain above average. Prices are forecast to rise slightly due to higher US prices.

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CANADA: GRAINS AND OILSEEDS SUPPLY AND DISPOSITION

August 11, 2005

Grain and Crop Year (a)	Area		Yield t/ha	Production	Imports	Total	Exports	Food and	Feed, Waste	Total Dom-	Carry-out	Average
	Seeded	Harvested			(b)	Supply	(c.)	Ind. Use	& Dockage	estic Use (d)	Stocks	Price (f)
	-----000 ha-----				----- thousand metric tonnes-----									$/t
Durum												
2003-2004	2,483	2,459	1.74	4,280	1	5,900	3,427	252	220	684	1,788	224.21
2004-2005p	2,230	2,141	2.32	4,962	1	6,751	3,170	255	406	881	2,700	199 *
2005-2006f	2,280	2,250	2.27	5,100	1	7,801	3,600	260	541	1,001	3,200	194 *
Wheat Except Durum												
2003-2004	8,179	8,009	2.41	19,272	16	23,395	12,300	2,775	3,222	6,804	4,292	206.03
2004-2005p	8,169	7,722	2.71	20,898	12	25,202	11,400	2,770	4,762	8,302	5,500	187 *
2005-2006f	7,750	7,320	2.65	19,400	10	24,910	13,100	2,800	3,700	7,310	4,500	184 *
All Wheat												
2003-2004	10,662	10,467	2.25	23,552	18	29,295	15,727	3,027	3,442	7,488	6,080	
2004-2005p	10,399	9,862	2.62	25,860	13	31,954	14,570	3,025	5,168	9,184	8,200	
2005-2006f	10,030	9,570	2.56	24,500	11	32,711	16,700	3,060	4,241	8,311	7,700	
Barley												
2003-2004	5,046	4,446	2.77	12,328	36	13,838	2,445	298	8,579	9,291	2,102	135.80
2004-2005p	4,678	4,050	3.26	13,186	100	15,388	2,000	300	9,553	10,288	3,100	112.30
2005-2006f	4,500	4,010	3.29	13,200	30	16,330	2,700	380	9,845	10,630	3,000	105-125
Corn												
2003-2004	1,265	1,226	7.82	9,587	2,108	12,805	346	2,415	8,890	11,317	1,143	137.18
2004-2005p	1,185	1,072	8.24	8,836	2,400	12,378	150	2,650	8,463	11,128	1,100	100-105
2005-2006f	1,110	1,090	7.43	8,100	2,800	12,000	150	2,700	8,235	10,950	900	100-120
Oats												
2003-2004	2,272	1,575	2.34	3,691	19	4,234	1,557	140	1,581	1,888	788	136.65
2004-2005p	1,995	1,315	2.80	3,683	25	4,496	1,500	130	1,574	1,896	1,100	129.8
2005-2006f	1,960	1,350	2.67	3,600	15	4,715	1,700	170	1,750	2,115	900	115-135
Rye												
2003-2004	246	147	2.22	327	0	357	171	47	60	125	60	104.44
2004-2005p	284	165	2.53	418	1	479	230	48	109	174	75	70-80
2005-2006f	210	150	2.13	320	1	396	160	48	111	176	60	70-90
Mixed Grains												
2003-2004	241	135	2.84	384	0	384	0	0	384	384	0	
2004-2005p	220	111	2.87	318	0	318	0	0	318	318	0	
2005-2006f	210	120	2.83	340	0	340	0	0	340	340	0	
Total Coarse Grains												
2003-2004	9,070	7,529	3.50	26,317	2,162	31,618	4,519	2,899	19,495	23,006	4,093	
2004-2005p	8,362	6,713	3.94	26,441	2,526	33,060	3,880	3,128	20,018	23,805	5,375	
2005-2006f	7,990	6,720	3.80	25,560	2,846	33,781	4,710	3,298	20,281	24,211	4,860	
Canola												
2003-2004	4,736	4,689	1.44	6,771	243	7,908	3,754	3,390	113	3,545	609	387.04
2004-2005p	5,319	4,938	1.57	7,728	150	8,487	3,298	3,000	419	3,464	1,725	309.15
2005-2006f	5,410	5,130	1.60	8,200	150	10,075	3,500	3,200	530	3,825	2,750	280-320
Flaxseed												
2003-2004	745	728	1.04	754	20	903	609	n/a	n/a	202	93	382.13
2004-2005p	728	528	0.98	517	40	650	412	n/a	n/a	177	60	n/a
2005-2006f	840	780	1.35	1,050	20	1,130	700	n/a	n/a	255	175	320-360
Soybeans												
2003-2004	1,051	1,047	2.17	2,268	587	3,000	914	1,500 ^{1/}	319	1,947	140	395.04
2004-2005p	1,229	1,178	2.59	3,048	450	3,638	1,000	1,580 ^{1/}	488	2,193	445	245-255
2005-2006f	1,195	1,183	2.43	2,875	250	3,570	1,000	1,750 ^{1/}	460	2,320	250	240-280
Total Oilseeds												
2003-2004	6,531	6,464	1.52	9,794	850	11,811	5,277	n/a	n/a	5,693	841	
2004-2005p	7,277	6,643	1.70	11,293	640	12,774	4,710	n/a	n/a	5,835	2,230	
2005-2006f	7,445	7,093	1.71	12,125	420	14,775	5,200	n/a	n/a	6,400	3,175	
Total Grains And Oilseeds												
2003-2004	26,263	24,461	2.44	59,663	3,029	72,724	25,523	n/a	n/a	36,187	11,014	
2004-2005p	26,038	23,219	2.74	63,595	3,179	77,788	23,160	n/a	n/a	38,823	15,805	
2005-2006f	25,465	23,383	2.66	62,185	3,277	81,267	26,610	n/a	n/a	38,922	15,735	

(a) August - July crop year except corn and soybeans which are September - August.

(b) Excludes imports of products. (c) Includes exports of products for wheat, oats, barley, and rye. Excludes exports of oilseed products.

(d) Total Domestic Use = Food and Industrial Use + Feed Waste & Dockage + Seed Use

(e) Industrial use excludes flaxseed due to data confidentiality.

(f) Crop year average prices: No. 1 CWRS 11.5% protein and No. 1 CWAD 11.5% (CWB final price I/S St. Lawrence/Vancouver), Barley (No. 1 feed, WCE, cash, I/S Lethbridge), Corn (No. 2 CE, cash, I/S Chatham), Oats (US No. 2 Heavy, CBOT nearby futures); Rye (No. 2 Canada, Elevator bids at select western delivery points); Canola (No. 1 Canada, WCE, cash, I/S Vancouver); Flaxseed (No. 1 CW, WCE, cash, I/S Thunder Bay); Soybeans (No. 2, I/S Chatham).

* CWB Pool Return Outlook (PRO) - July 28, 2005

^{1/} Source for Food and Industrial Use is based on data from the Canadian Oilseed Processors Association.

p: preliminary

f: forecast - Agriculture and Agri-Food Canada - August 11, 2005

Source: Statistics Canada, Cereals and Oilseeds Review Series, Cat. No. 22-007



CANADA: PULSE AND SPECIAL CROPS OUTLOOK

August 9, 2005

For 2005-06, total area seeded to pulse and special crops in Canada decreased by 2%, from 2004-05, as increases for dry peas, lentils, dry beans, sunflower seed and chickpeas were more than offset by decreases for mustard seed, canary seed and buckwheat. Statistics Canada's (STC) seeded area survey, conducted during May 16 - June 3 and released on June 23, provided seeded area estimates for most pulse and special crops by province, but for some of the smaller producing provinces the area seeded has been estimated by AAFC. In general, crop development is near normal, except for Manitoba where it is mostly behind normal due to stress caused by excessive moisture. Normal crop abandonment is expected except for Manitoba where higher than normal abandonment is expected due to excessive moisture. Yields are expected to be higher than trend for Saskatchewan and Alberta, trend for Ontario and Québec, and below trend for Manitoba. The poor crop in Manitoba mainly affects Canadian dry bean, sunflower seed and buckwheat production because Manitoba is normally the largest producer of these crops. The dry pea and lentil harvest has started and harvesting of chickpeas, mustard seed and canary seed is expected to start in mid to late August. It is assumed that precipitation will be normal for the harvest period and that average quality will be normal.

Total production in Canada is forecast to decrease by 6%, from 2004-05, to 4.9 million tonnes (Mt). Total supply is expected to increase by 5% to 6.1 Mt, as higher carry-in stocks more than offset the decrease in production. Exports are forecast to increase by 9% due to stronger demand. Carry-out stocks are expected to increase marginally. Average prices, over all types, grades and markets, are forecast to increase for chickpeas and mustard seed, decrease for dry peas, lentils, dry beans and sunflower seed, and be the same for canary seed and buckwheat. The main factor to watch are precipitation and temperatures during the late summer and fall in Canada. Other factors to watch are the exchange rates of the Canadian dollar against the US dollar and other currencies, ocean shipping rates and growing and harvest conditions in major producing regions, especially United States, India and Australia.

DRY PEAS

For 2005-06, production is forecast to decrease by 10% as a 2% rise in seeded area is more than offset by lower yields. Production is expected to decrease for yellow, green and other types. Supply is forecast to increase slightly due to higher carry-in stocks. World supply is expected to increase by 2% to 12.6 Mt, but use is also forecast to increase, resulting in stable carry-out stocks. Canadian exports and domestic use are expected to increase due to stronger demand in both food and feed markets. Carry-out stocks are forecast to decrease, with a stocks-to-use (s/u) ratio of 16%. The average price, over all types, grades and markets, is forecast to decrease slightly due to the higher world supply.

LENTILS

For 2005-06, production and supply are forecast to increase, due to a 10% rise in seeded area. Production is forecast to decrease for large, medium and small green types, but increase for the red type. World supply is forecast to increase by 8% to 4.22 Mt due to higher carry-in stocks. Although world use is expected to increase, carry-out stocks are forecast to rise. Canadian exports are expected to increase by 15% due to higher demand. Carry-out stocks are forecast to rise, with a s/u ratio of 36%. The average price, over all types and grades, is forecast to decrease only slightly from 2004-05, as pressure from higher world supply is mostly offset by support from higher average quality.

DRY BEANS

For 2005-06, production and supply are forecast to increase, due to a 20% rise in seeded area and lower abandonment. Production is expected to increase for white pea, pinto, black, dark and light red kidney, cranberry, small red and pink beans, but decrease for Great Northern beans. US

production is forecast to increase by 37% to 1.07 Mt, while supply increases by only 15% to 1.21 Mt due to lower carry-in stocks. Canadian exports are forecast to increase due to higher supply. Carry-out stocks are expected to increase, with a s/u ratio of 6%. The average price, over all classes and grades, is forecast to decrease due to the higher supply.

CHICKPEAS

For 2005-06, production and supply are forecast to increase, as a 65% higher seeded area and lower abandonment more than offset lower yields. Production is expected to increase for large and small kabuli types, but decrease for the desi type. World supply is expected to increase marginally to 8.95 Mt. Canadian exports are forecast to increase due to the higher supply. Carry-out stocks are expected to increase, but remain low. The average price, over all types, grades and sizes, is forecast to increase due to higher average quality and a shift to the production of the higher priced kabuli types.

MUSTARD SEED

For 2005-06, production is forecast to decrease by 39% because of a 31% fall in seeded area and lower yields. Production is expected to decrease for all types, yellow, brown and oriental. Supply is forecast to decrease by only 6% due to higher carry-in stocks. Exports are forecast to rise due to higher demand and carry-out stocks are forecast to decrease, with a s/u ratio of 66%. The average price, over all types and grades, is expected to increase due to the lower supply.

CANARY SEED

For 2005-06, production is forecast to decrease by 32%, as a 43% fall in seeded area is partly offset by higher yields. Supply is expected to decrease by only 2% due to higher carry-in stocks. World supply, 90%

of which is in Canada, is forecast to decrease slightly to 400,000 t. Canadian exports are expected to increase due to higher demand and carry-out stocks are forecast to decrease, with a s/u ratio of 57%. The average price is forecast to be the same as in 2004-05, in line with the relatively stable world supply.

SUNFLOWER SEED

For 2005-06, production and supply are forecast to increase due to a 26% rise in seeded area, lower abandonment and higher yields. Production is expected to increase for both types, confectionary and oilseed. US supply is forecast to increase by 49% to 1.63 Mt. World supply is expected to increase by 5% to 28.6 Mt. Canadian exports and domestic use are forecast to increase because of the higher supply. Carry-out stocks are expected to increase, but remain low. The average price, over both types and all grades, is forecast to decrease because of the higher supply in US and Canada.

BUCKWHEAT

For 2005-06, Canadian production is forecast to increase slightly, as a lower seeded area is more than offset by lower abandonment and higher yields. Supply is expected to decrease due to lower carry-in stocks. Exports are forecast to decrease and carry-out stocks are expected to be negligible. The average price is forecast to be the same as in 2004-05, in line with a relatively stable world supply.

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CANADA: PULSE AND SPECIAL CROPS SUPPLY AND DISPOSITION

August 9, 2005

Grain and Crop Year (a)	Area Seeded	Harvested	Yield	Production	Imports (b)	Total Supply	Exports (b)	Total Domestic Use (d)	Carry-out Stocks	Average Price (e)
	000 ha		t/ha			thousand	metric tonnes			\$/t
Dry Peas										
2001-2002	1,344	1,285	1.57	2,023	27	2,245	1,381	589	275	190
2002-2003	1,297	1,050	1.30	1,365	41	1,681	628	743	310	210
2003-2004	1,303	1,271	1.67	2,124	24	2,458	1,316	937	205	175
2004-2005p	1,388	1,345	2.48	3,338	40	3,583	1,900	1,083	600	135
2005-2006f	1,410	1,365	2.20	3,000	30	3,630	2,000	1,130	500	115-145
Lentils										
2001-2002	708	664	0.85	566	6	828	478	219	131	320
2002-2003	601	387	0.91	354	9	494	320	119	55	390
2003-2004	554	536	0.97	520	5	580	368	174	38	420
2004-2005p	778	750	1.28	962	8	1,008	520	328	160	310
2005-2006f	860	815	1.23	1,000	5	1,165	600	255	310	285-315
Dry Beans										
2001-2002	184	175	1.70	298	42	390	263	97	30	725
2002-2003	230	219	1.89	414	40	484	298	106	80	445
2003-2004	167	167	2.13	356	31	467	344	83	40	495
2004-2005p	163	126	1.75	220	30	290	241	44	5	650
2005-2006f	196	173	1.73	300	40	345	270	55	20	530-560
Chickpeas										
2001-2002	486	467	0.97	455	12	497	146	211	140	380
2002-2003	221	154	1.01	156	9	305	105	140	60	300
2003-2004	63	63	1.08	68	2	130	74	36	20	330
2004-2005p	47	39	1.31	51	5	76	40	31	5	385
2005-2006f	77	72	1.18	85	5	95	50	35	10	415-445
Mustard Seed										
2001-2002	166	158	0.66	105	3	213	171	9	33	685
2002-2003	289	255	0.60	154	9	196	114	22	60	595
2003-2004	340	328	0.69	226	2	288	121	75	92	390
2004-2005p	317	304	1.00	305	2	399	130	79	190	295
2005-2006f	217	208	0.89	185	2	377	150	77	150	300-330
Canary Seed										
2001-2002	170	163	0.70	114	0	184	134	20	30	660
2002-2003	287	227	0.78	176	0	206	164	22	20	575
2003-2004	251	243	0.93	226	0	246	168	11	67	345
2004-2005p	356	318	0.94	300	0	367	175	37	155	230
2005-2006f	204	194	1.06	205	0	360	185	45	130	215-245
Sunflower Seed										
2001-2002	73	67	1.55	104	29	179	92	65	22	355
2002-2003	100	95	1.65	157	21	200	105	60	35	440
2003-2004	119	115	1.30	150	16	201	96	80	25	405
2004-2005p	87	59	0.92	54	30	109	35	69	5	490
2005-2006f	110	95	1.21	115	25	145	60	75	10	375-405
Buckwheat										
2001-2002	16	14	1.14	16	1	17	6	8	3	325
2002-2003	12	12	1.00	12	1	16	6	7	3	340
2003-2004	9	9	1.11	10	1	14	5	7	2	355
2004-2005p	9	7	0.71	5	1	8	4	4	0	355
2005-2006f	7	6	1.00	6	1	7	3	4	0	340-370
Total Pulse And Special Crops (c)										
2001-2002	3,131	2,993	1.23	3,681	120	4,553	2,671	1,218	664	
2002-2003	3,025	2,399	1.16	2,788	130	3,582	1,740	1,219	623	
2003-2004	2,797	2,732	1.35	3,680	81	4,384	2,492	1,403	489	
2004-2005p	3,136	2,948	1.78	5,235	116	5,840	3,045	1,675	1,120	
2005-2006f	3,080	2,928	1.67	4,896	108	6,124	3,318	1,676	1,130	

(a) August-July crop year.

(b) Excludes products.

(c) Includes Pulse Crops (dry peas, lentils, dry beans, chick peas) and Special Crops (mustard seed, canary seed, sunflower seed, buckwheat)

(d) Includes food, feed, seed, waste and dockage. Total domestic use is calculated residually.

(e) Producer price, FOB plant. Average over all types, grades and markets.

p: preliminary

f: forecast, Agriculture and Agri-Food Canada, August 9, 2005

Source: Statistics Canada and industry consultations.

A. SELLING PRICE OF BULK FEED INGREDIENTS AT SELECTED POINTS																	August 8, 2005					
SELECTED POINT	REFERENCE PERIOD	PRICE BASIS	(1) WHEAT	OATS	BARLEY	CORN	PRICE BASIS	SOYBEAN MEAL	CANOLA MEAL	MILL-FEEDS	MEAT MEAL	FISH MEAL	ANIMAL FAT	GLUTEN MEAL	GLUTEN FEED	FEED PEAS	DEHY ALFALFA	FEATHER MEAL				
Vancouver BC (4) (7)	August 8, 2005 August 2nd, 2005	FOB	129.00 129.00	N/A N/A	134.00 134.00	145.00 147.00		329.50 324.50	181.00 185.00	108.00 108.00		850.00 850.00	470.00 470.00					405.00 405.00				
Calgary AB (4)	August 8, 2005 August 2nd, 2005	FOB	104.00 104.00	N/A N/A	105.00 105.00	129.00 140.00		325.50 327.00			130.00 130.00	975.00 975.00	505.00 505.00					380.00 380.00				
Saskatoon (4)	August 8, 2005	FOB	90.50	138.00	89.00	133.00		327.50	N/A		135.00	N/A	505.00			117.50		420.00				
SK (4)	August 2nd, 2005		90.50	138.00	89.00	136.00		329.00	N/A		135.00	N/A	505.00			129.00		420.00				
Winnipeg (4) (9)	August 8, 2005 August 2nd, 2005	FOB	130.00 130.00	140.00 140.00	108.50 108.50	114.00 118.00		316.00 317.50	N/A N/A		290.00 290.00	997.50 997.50	525.00 525.00					350.00 350.00				
MB (4) (9)	August 2nd, 2005		130.00	140.00	108.50	118.00		317.50	N/A		290.00	997.50	525.00					350.00				
Thunder Bay ON (8)	August 8, 2005 August 2nd, 2005	In-Store	105.80 107.35	N/A N/A	107.95 109.15																	
Lake Ports USA (3)	August 8, 2005 August 2nd, 2005	On Board				103.34 113.18																
Bay Ports ON	August 8, 2005 August 2nd, 2005	In-Store	140.00 140.00	205.00 205.00	118.00 118.00																	
Chatham ON	August 8, 2005 August 2nd, 2005	Track				111.28 115.43																
Toronto ON (5)	August 8, 2005 August 2nd, 2005	N/A					FOB				193.00	N/A	460.00	425.00	114.00		270.00	435.00				
Hamilton ON	August 8, 2005 August 2nd, 2005	N/A						233.27 235.62	#N/A #N/A		189.33	N/A	460.00	425.00	114.00		270.00	415.00				
Eastern ON	August 8, 2005 August 2nd, 2005	FOB				112.50 104.40																
London ON	August 8, 2005 August 2nd, 2005	FOB												425.00	114.00							
Port Colborne ON	August 8, 2005 August 2nd, 2005	FOB								46.50 50.00				425.00	114.00							
Cardinal ON	August 8, 2005 August 2nd, 2005	FOB												425.00	114.00							
Montreal QC (5)	August 8, 2005 August 2nd, 2005		141.00 141.00	150.00 150.00	140.50 140.50	117.00 136.00		285.35 311.51	217.83 219.15	61.33 58.00	250.00 250.00	850.00 850.00	411.00 431.00	425.00 425.00	114.00 114.00		270.00 270.00	410.00 410.00				
Trois-Rivières QC	August 8, 2005 August 2nd, 2005	In-Store	143.00 143.10		151.30 152.70	130.07 136.45																
St. Jean QC (2)	August 8, 2005	FOB	125.84	115.16	117.73	109.73		301.13														
St. Hyacinthe QC	August 2nd, 2005		139.10	121.18	127.39	112.99		307.47														
Quebec	August 8, 2005	In-Store	145.00	N/A	161.45	132.75		335.40	230.70													
QC	August 2nd, 2005		144.53	N/A	161.23	137.20		332.82	234.13													
Truro NS	August 8, 2005	Track	176.07		167.20	161.27		362.75	258.86		245.05		505.00					410.00				
NS	August 2nd, 2005		177.07		167.20	166.46	FOB	365.45	258.86		245.05		505.00					410.00				
Truro NS	August 8, 2005	Water	N/A	N/A	N/A	N/A																
NS	August 2nd, 2005	& Truck	N/A	N/A	N/A	N/A																
Halifax NS (6)	August 8, 2005 August 2nd, 2005	In-Store	N/A N/A	N/A N/A	N/A N/A	n/a n/a		378.00 393.00		297.50 297.50		1,100.00 1,100.00	N/A N/A									

Source: Market Analysis Division, Agriculture and Agri-Food Canada; Thunder Bay prices are based on the Winnipeg Commodity Exchange (WCE) market close
 Contact: André Doumbé Statistical Clerk Telephone: (204) 983-0581 Fax: (204) 983-5524 Email: doumba@agr.gc.ca
 N/A = not available

US\$1.00=CANS1.2187, closing date August 5, 2005

Footnotes: All prices in Canadian dollars per metric tonne based on survey respondents.

Grain grades (unless otherwise specified) are: Western or Eastern Feed Wheat, Feed Oats, No.1 Canada Western or Eastern Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn.
 Soybean Meal 48 % Protein. Canola Meal based on minimum standard of 35% Protein. Fish Meal, white fish and/or herring meal. Gluten Meal 60% Protein. Gluten Feed 21% Protein.

(1) Wheat 3CWRS (2) Canadian Corn #3 or #2 (3) US Corn (4) Fish Meal from West Coast 63% Protein (5) Fish Meal 60% Protein (6) Herring Fish Meal (7) Fraser Valley (8) Wheat & Barley (Basis - Cash Price WCE) (9) Oats 3CW

B. CASH PRICES AND REPLACEMENT VALUES

August 8, 2005

PRAIRIE GRAINS

Selected Points	Price Basis		This week 8-Aug-05	Last week 25-Jul-05	Month ago 11-Jul-05	Year ago 9-Aug-04
From: Thunder Bay(WCE) (2)	In-Store	Wheat	108.00	109.00	109.00	160.00
(CBOT)		Oat	155.25	169.00	155.25	132.00
(Lethbridge)		Barley	105.00	112.50	115.00	125.00
To: Bayport, ON (1)	In-store	Wheat	131.61	132.61	132.61	183.61
		Oat	N/A	N/A	N/A	N/A
		Barley	132.39	139.89	142.39	152.39
Montreal, QC (1)	In-store	Wheat	136.03	137.03	137.03	188.03
		Oat	N/A	N/A	N/A	N/A
		Barley	137.31	144.81	147.31	157.31
Moncton, NB	Truck via Halifax	Wheat	158.25	159.25	159.25	210.25
		Oat	N/A	N/A	N/A	N/A
		Barley	161.50	169.00	171.50	181.50
Truro, NS	Truck via Halifax	Wheat	152.22	153.22	153.22	204.22
		Oat	N/A	N/A	N/A	N/A
		Barley	159.00	166.50	169.00	179.00
Halifax, NS (1)	In-store	Wheat	143.28	144.28	144.28	195.28
		Oat	N/A	N/A	N/A	N/A
		Barley	145.30	152.80	155.30	165.30
Stephenville, NL	Track / Truck via Sydney	Wheat	206.63	207.63	207.63	258.63
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A
Melfort, SK		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Bayport, ON		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Montreal, QC		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Moncton, NB		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Truro, NS		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track / Truck via Sydney	Barley	N/A	N/A	N/A	N/A
Stephenville, NL		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A

Selected Points	Price Basis		This week 25-Jul-05	Last week 25-Jul-05	Last week 11-Jul-05	Year ago 9-Aug-04
Corn						
From: US Lake Port	On Board Vessel		103.34	122.89	112.10	141.26
To: Montreal, QC (1)	In-store		122.38	141.93	131.14	160.30
From: Chicago (IL)	Track		103.34	123.86	110.66	0.00
To: Montreal, QC	Track		132.20	152.72	139.52	28.86
From: Chatham, ON	Track		111.28	122.08	111.99	0.00
To: Montreal, QC	Track		135.15	145.95	135.86	23.87

Soymeal 48% Protein

From: Hamilton, ON			233.27	250.72	233.14	0.00
To: Montreal, QC	Track		257.60	275.05	257.47	24.33
Moncton, NB	Track		276.35	293.80	276.22	43.08
Truro, NS	Track		279.57	297.02	279.44	46.30
Stephenville, NL	Track / Truck via Sydney		328.20	345.65	328.07	94.93

1. Prices include ONE month of storage and interest charges n/a = not available

2. Thunder Bay prices are based on the Winnipeg Commodities Exchange market close (Cash price)

Source: Market Analysis Division, Agriculture and Agri-Food Canada

Contact: André Doumbé: Statistical Clerk (204) 983-0581 Fax: (204) 983-5524 e-mail: doumbea@agr.gc.ca

Footnotes: All prices quoted in Canadian dollars per metric tonne.

Grain grades (unless otherwise specified) are: Canada Western Feed Wheat, Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn.

Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec.

Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable

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Agriculture and
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WHEAT: SITUATION AND OUTLOOK

For 2005-2006, prices for most classes of wheat are expected to decline from 2004-2005 largely due to increased supplies in the five major exporting countries and lower import demand. The strong Canadian dollar will continue to dampen returns to Canadian farmers. This issue of the *Bi-weekly Bulletin* examines the situation and outlook for wheat for 2005-2006. "Wheat" refers to all wheat including durum, unless otherwise specified.

World wheat supplies for 2005-2006 are forecast by the United States Department of Agriculture (USDA) to increase slightly from 2004-2005. Higher carry-in stocks are expected to more-than offset lower production of 610 Mt, a 2% decline from last year. Wheat consumption is forecast to increase, mainly due to higher feed use in the European Union (EU) and the Former Soviet Union (FSU). World wheat carry-out stocks are expected to decline by 5%, to 141Mt and the stock-to-use (S/U) ratio is forecast to be near the record low of 22% recorded in 2003-2004. Trade is expected to decline by 3%, to 108 Mt, mainly due to reduced imports by China. Of the total exports, the US is expected to account for 25%, with Canada, Australia, the EU-25 and FSU each contributing about 15%.

is expected to more-than offset reduced output of soft red winter, (SRW) and hard red spring (HRS) wheat. Total US wheat exports are forecast to decrease by 8%, to 975 Mbu due to increased competition from the EU and the FSU. As a result of lower exports, carry-out stocks and the stocks-to-use ratio are expected to increase from 2004-2005. US wheat imports, largely from Canada, are forecast at 70 Mbu (including products), similar to 2004-2005, and 14% below the 10-year average. Non-durum wheat imports will be mainly Ontario winter wheat, due to the continuing duties on imports of Canadian HRS wheat.

SRW wheat production is expected to decrease by almost 16% from last year

while HRW production increases by 9% and HRS production decreases marginally. However, stocks are expected to rise for all classes of wheat, pressuring wheat prices in general. For high quality milling wheat, prices are expected to be further pressured by improved spring wheat quality in western Canada.

For durum, production is forecast to rise by 4%, to 93 Mbu, marginally above the 5-year average.

European Union-25

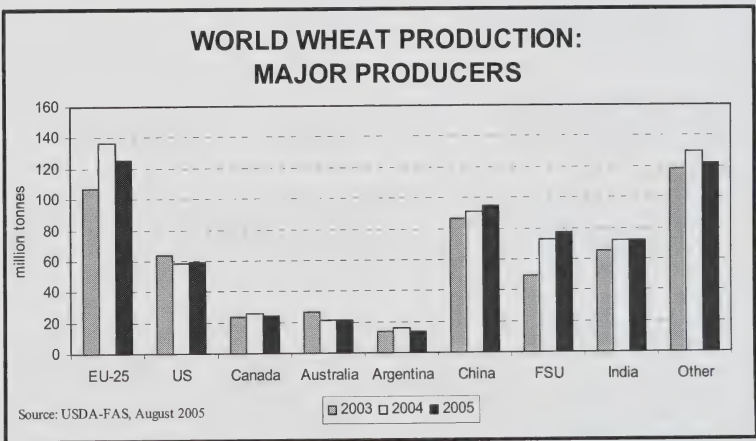
Although exports increased by 24% in 2004-2005, aided by an average subsidy of US\$8 per tonne (/t), carry-out stocks, consisting largely of lower quality wheat, nearly tripled to a record 26.0 Mt. As a consequence, EU

Non-durum wheat production is down only slightly, to 575 Mt and trade is forecast to decline by 4% to 101 Mt, close to the 10-year average.

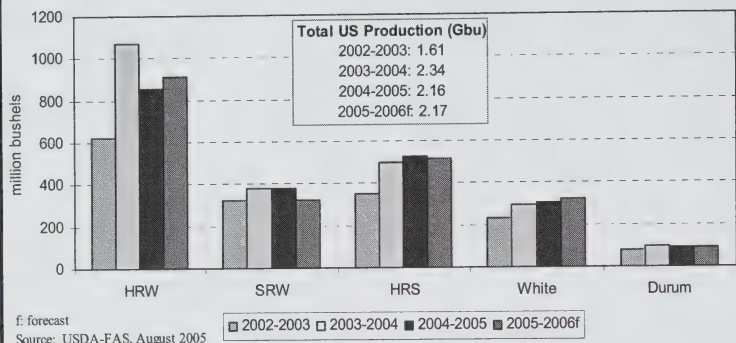
Durum wheat production is estimated by the International Grains Council (IGC) at 35.5 Mt, 14% lower than last year. Trade is forecast to rise by 15%, to a record 7.8 Mt.

United States

All wheat production is estimated by USDA at 2,170 million bushels (Mbu) (59.0 Mt), only marginally above 2004-2005. Increased production of hard red winter (HRW), white wheat and durum



UNITED STATES: WHEAT PRODUCTION BY CLASS



The national loan rate under the US *Security and Rural Investment Act* (FSRIA) for wheat for 2005-2006 is US\$2.75/bu. There are individual loan rates by class of wheat. The target price, which determines the counter-cyclical payment (CCP) is US\$3.86/bu for wheat and exceeds both the loan rate and expected actual farm price. The target price is not county-specific. The CCP is determined by the target price minus the fixed payment (US\$0.25/bu) minus the higher of the loan rate or the average farm price. The CCP is based on 85% of a farmer's base area and yields, and is decoupled from a farmer's actual seeded area.

domestic supplies are forecast to rise by 3%. Production is forecast to decrease by 8% from 2004-2005 to 125.5 Mt, the second-highest on record, versus the 5-year average of 121 Mt. Exports are projected to rise by 11%, aided by continued use of export subsidies. In the first week of February, 2005, EU resumed the weekly open market export tenders, after suspending them for the previous 18 months due to burdensome stocks and the appreciation of the Euro against the US dollar. EU domestic consumption is also forecast to increase due to higher feed use, and carry-out stocks are expected to decrease but remain burdensome.

Durum wheat accounts for 8-10% of total EU wheat production and about 98% is from Italy, Spain, France and Greece, along the Mediterranean Sea. EU production is estimated by IGC to decrease by 36% from 2004-2005 to 7.3 Mt due to a drought in Spain and in Italy, as a result of Common Agricultural Policy Reform, a reduction in seeded area. Imports are projected to rise by 44% to a record 2.3 Mt. Canadian durum exports to the EU are expected to rise significantly from the 0.3 Mt in 2004-2005. EU carry-out

stocks are forecast to fall significantly to a well-below normal level.

Australia

Australia had one of the driest autumns (March-May) on record but precipitation during June improved moisture conditions at seeding time. Wheat production is forecast by the USDA at 21.5 Mt, unchanged from last year. Exports are projected to decrease marginally, to 15.5 Mt (July-June), close to the 5-year average. Carry-out stocks are forecast to remain relatively unchanged at 5.9 Mt.

Australian durum production is forecast by the IGC at 0.5 Mt, the same as 2004-2005. Below average yields are expected again this season because of continued drought in parts of Australia and the relatively late seeding this season. Australian durum tends to be of good quality due to the hot dry growing conditions, and Australia has become a major competitor in the premium Italian market. Exports are forecast by IGC to rise by 25% in 2005-2006, to 0.5 Mt.

Argentina

For the 2005-2006 wheat planting season, Argentina has been dry, particularly in the key wheat producing province of Buenos Aires, and as a result, both area and yields are expected to decline from 2004-2005. Production and exports are forecast to decrease significantly from 2004-2005 to 13.5 Mt and 8.0 Mt (July-June), respectively.

Argentine durum is mainly grown in the southern part of the province of Buenos Aires. Area seeded is expected to decrease as farmers switch to more profitable crops, primarily sunflowers and soybeans. Yields are expected to increase and production is forecast at 0.2 Mt, similar to 2004-2005.

Former Soviet Union

The FSU recovered from the severe winterkill of 2003-2004, with production increasing sharply, particularly in Russia and Ukraine, in 2004-2005. For 2005-2006, production is forecast at 77 Mt, up 6% from last year. Supplies are expected to increase by 9%.

Consumption is forecast to increase to the highest level since 1997-1998 due to increased feed use. Exports are projected to rise by 27%, to 18.5 Mt, second only to the record 25.4 Mt exported in 2002-2003. Carry-out stocks are forecast to increase marginally.

India

Wheat production in India is supported by high internal guaranteed prices, and has been steadily increasing due to improved yields. Indian wheat tends to be of lower quality, and much has been exported as feed into Southeast Asia. Exports were a record 5.7 Mt in 2003-2004. Indian wheat does not compete directly with Canadian wheat in any market. Consumption has exceeded production since 2002-2003. Wheat production is forecast to be the same as last year at 72.0 Mt, 1 Mt lower than projected consumption. India is forecast to be a net wheat importer in 2005-2006, for the first time since 1999-2000, importing 1.0 Mt, versus exports of 0.5 Mt which are the lowest in 6 years. Carry-out stocks are expected to fall to 3.6 Mt.

However, the price changes will vary by class of wheat, due to different supply and disposition factors.

The supply of US **SRW wheat**, as estimated by the USDA, is expected to decrease by about 9% as lower production more-than offsets higher carry-in stocks. SRW prices on the CBoT are expected to average US\$3.10-3.15/bu versus US\$3.18/bu for 2004-2005.

The supply of US **HRW wheat** is estimated to increase by 5% from 2004-2005 as higher US production more-than offsets lower carry-in stocks. Production is estimated at 913 Mbu, up by 7% 2004-2005. The S/U ratio is forecast to rise from 22% in 2004-2005 to 25% in 2005-2006. The premium for HRW over SRW is expected to decrease to about US\$0.15/bu, versus US\$0.24/bu in 2004-2005, and the 10-year average of US\$0.22/bu. The

average nearby KCBT HRW price is forecast to decrease by about 5%, to US\$3.25-\$3.35/bu (June-May).

The supply of US **HRS wheat** is estimated to decrease marginally as lower production more-than offsets higher carry-in stocks. US production is estimated to fall by 2%, to 516 Mbu. Due to increased competition from other exporters, including Canada, exports are forecast to fall by 13%, to 270 Mbu. Carry-out stocks are projected to increase by 6%, to 169 Mbu, with the S/U ratio rising to 33%, from 30% last year. The premium over the KCBT is expected to return to a normal level of US\$0.20/bu, from US\$0.14/bu in 2004-2005, so that the average nearby futures price on the Minneapolis Grain Exchange (MGE) is forecast to be relatively unchanged from 2004-2005, at US\$3.55-\$3.60/bu.

However, assuming better quality and improved protein content in both the US and Canadian HRS crops, premiums for top quality high protein Dark Northern Spring (DNS) wheat are expected to decline, with the cash premium for DNS with 14% protein (DNS 14) at Minneapolis forecast to fall by over 30%, to a slightly above-normal US\$0.70/bu, with the average DNS 14 cash price being US\$4.25-4.30/bu, 7% below 2004-2005.

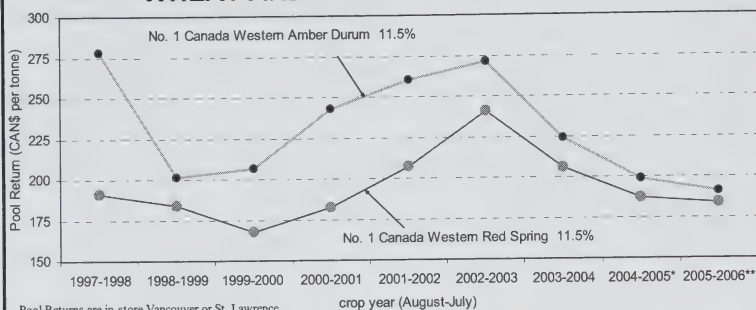
The supply of US **durum wheat** is estimated to increase by 10% from 2004-2005 due to higher carry-in stocks and production. Production is forecast to rise by 3% to 93 Mbu.

In addition, world durum prices are also expected to be pressured by burdensome Canadian supplies. The US No.3 Hard Amber Durum (HAD) export price FOB Gulf is expected to decrease from US\$193/t in 2004-2005

CANADA-US WHEAT TRADE DISPUTE

September 13, 2002	The North Dakota Wheat Commission and US Durum Growers launched a petition asking the US government to initiate countervailing duty and anti-dumping investigations against Canadian HRS wheat and durum imports. They alleged that the Canadian government unfairly subsidized Canadian wheat and that the CWB "dumps" wheat into the US at below market prices.
March 4, 2003	Tariffs on Canadian imports to the US of 3.94% on HRS wheat and durum were announced pursuant to the countervailing duty case. This preliminary determination was a US domestic trade action, carried out under US trade law and investigated by the US Department of Commerce (DOC), which also makes the final determinations. The US International Trade Commission (ITC) is also investigating whether injury had been caused to the US wheat industry.
May 2, 2003	Based on preliminary findings that Canada was dumping wheat into the US at below market prices, the US DOC imposed preliminary anti-dumping duties of 6.12% on HRS wheat and 8.15% on durum, in addition to the 3.94% duties imposed by the US in March over subsidy allegations.
August 29, 2003	The US DOC increased combined tariffs on Canadian HRS wheat and durum exports to the US to 14.15% and 13.55%, respectively, in its final determination.
October 3, 2003	The US ITC determined that imports of durum wheat were not injuring US producers but that imports of HRS wheat were injuring the US wheat sector. Thus the existing tariffs on HRS wheat remain but were removed for durum.
March 10, 2004	A NAFTA panel ordered the US DOC to reconsider duties on spring wheat imports from Canada. Panellists decisively rejected the US DOC's treatment of the three guarantees as a single program under the heading of "financial risk coverage" and required that each guarantee to be separately evaluated. The panel reaffirmed the US DOC decision to assess a 0.35% duty resulting from government provision of railcars.
June 7, 2005	A North American Free Trade Agreement (NAFTA) panel said it could find "no substantial evidence" to support the injury allegations. The US Panel noted that the US ITC had failed to prove causation between imports of Canadian wheat and circumstances in the US wheat industry. The US ITC is expected to respond to the Panel on October 5, 2005.
August 8, 2005	The US DOC lowered the level of countervailing duties on imports of Canadian wheat to 2.54% from 5.29% in response to an order by a NAFTA panel. An 11.4% combined tariff still remains on HRS wheat.

CANADIAN WHEAT BOARD: WHEAT AND DURUM POOL RETURNS



Pool Returns are in-store Vancouver or St. Lawrence

* CWB July PRO; ** CWB August PRO

Source: CWB

to US\$175/t in 2005-2006 (June- May).

Canada

In most quality-conscious markets, the Canadian Wheat Board (CWB) normally receives a price for wheat and durum that is competitive with US prices for wheat of similar quality. The prices obtained by the CWB are therefore, to a large degree, impacted by US crop conditions, domestic consumption and exports.

CWB returns are expected to be similar to 2004-2005 for lower quality spring wheat (low protein No.2 CWRS, No.3 CWRS and CPS), due to the expected flat MGE HRS futures market. However, projected declining premiums for DNS 14 will result in lower returns for higher protein Nos. 1 and 2 CWRS wheat. Canadian durum prices are forecast to decline, in line with lower world and US prices.

Grain is traded on world markets in US dollars, and a stronger Canadian dollar reduces returns in Canadian dollar terms. For 2005-2006, the dollar is forecast to be only marginally stronger at about US\$0.81, versus US\$0.795 for 2004-2005, so that the dollar will not have a major impact on the year-over-year change in returns.

The CWB initial payments for 2005-2006 are significantly lower than those set at the beginning of the 2004-2005 crop year, particularly for non-durum

wheat. The reason for the disproportionate decline in initial payments for non-durum wheat, compared to the pool return outlook (PRO), is that the PRO was much stronger at the beginning of the 2004-2005 crop year. For example, the PRO for No.1 CWRS 12.5 in July 2004 was \$214/t, \$20/t higher than currently projected and \$24/t above the current outlook for 2005-2006.

The July 2004 PRO turned out to be overly optimistic mainly due to the larger than expected 2004-2005 world wheat crop and resultant higher than projected carry-out stocks. The stronger than expected Canadian dollar also eroded CWB pool returns in 2004-2005. August 1, 2004 the dollar was worth US\$0.76, and was expected to remain near that level for the crop year, while it actually averaged about US\$0.80. Similarly, the current 2005-2006 PRO could be raised or lowered later in the year, as more complete information on supply and disposition factors and actual market prices becomes available.

Once the CWB has made significant sales at prices above the original initial payment level, the sales revenue offsets part of the federal government guarantee and the initial payments may be adjusted upwards. The safety factor applies only to the unsold portion of the pool account. These adjustments will occur earlier in

the crop year if the price outlook strengthens, but will in most cases be made eventually as long as the price outlook does not decline significantly. For 2004-2005, the initial payment for No.1 CWRS 12.5 was adjusted to \$177.10/t by the end of the crop year, \$27.10/t higher than at the beginning, despite the declining price outlook throughout the year.

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For durum, production is forecast by IGC at 2.0 Mt, unchanged from 2004-2005. Most of it is used domestically.

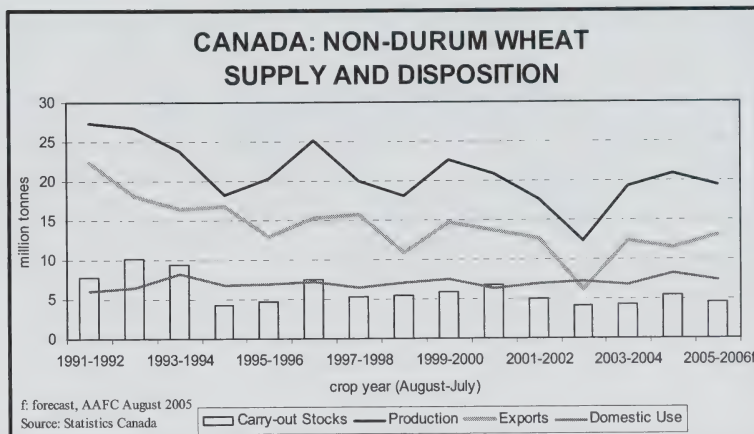
China

Excluding the EU-25, China is the world's largest wheat producer, with production averaging 92 Mt over the past 5 years. Due to lower government support, area seeded to wheat has decreased by 28% since 1997-1998. This has largely affected the production of lower quality wheat as the emphasis shifted to producing higher quality varieties. As a result, Chinese wheat production and supplies fell and China began to import wheat in 2003-2004, with imports reaching 7 Mt in 2004-2005, the highest in a decade.

For 2005-2006, production is forecast to increase by 4% to 95 Mt but due to lower carry-in stocks, supplies are projected to fall marginally. However, Chinese wheat consumption levels have steadily declined since 2000-2001, as consumers have diversified their diets to include more meat, fruits and vegetables. For 2005-2006, consumption is forecast at 101 Mt, the lowest since 1987-88. Imports are forecast to decrease to 3 Mt of which 1.5 Mt are expected to be sourced from Canada, versus 2.1 Mt in 2004-2005.

Middle East

Middle Eastern wheat production is forecast to decrease marginally from 2004-2005 causing imports to increase. The major Canadian market in this region was Iran, which has imported large quantities of wheat in previous



years. However, wheat production in Iran is forecast to increase to a record level leading to a decrease in wheat imports. Canada is not expected to export wheat to Iran in 2005-2006, as was also the case in 2004-2005.

Syria and Turkey are the major durum producers in the Middle East. For 2005-2006, Syrian durum production is expected to remain unchanged, at 2.5 Mt. Exports are forecast by IGC to rise by 45%, to a record 0.8 Mt. Turkish production is also expected to remain unchanged, at 3.2 Mt. Exports are forecast to double from 2004-2005, to 0.2 Mt.

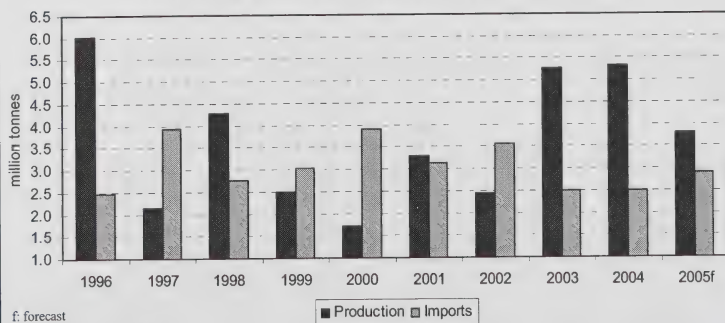
North Africa

The North African countries, particularly Algeria, Morocco, Tunisia and Libya, are important to Canada as they make up the largest single world

market for durum wheat. North Africa is also a major market for non-durum wheat, but not for Canadian wheat, sourcing most of their soft wheat imports from the EU and US.

For 2005-2006 North African wheat production is expected to decrease due to a drought in Morocco and Algeria. Total wheat production is forecast to fall by 25%, at 12.4 Mt. Durum production is expected to decrease by 29%, to 3.8 Mt, due to reduced harvested area and lower yields, but remain above the 10-year average of 3.5 Mt. As a result, total imports are forecast by the USDA to increase by 6%, to 18.6 Mt. Durum imports by Algeria, Morocco, Tunisia and Libya are forecast by IGC to rise by 24%, to 3.1 Mt. Durum exports from Canada to North Africa are projected to increase significantly to about 1.5 Mt from 1.0 Mt in 2004-2005.

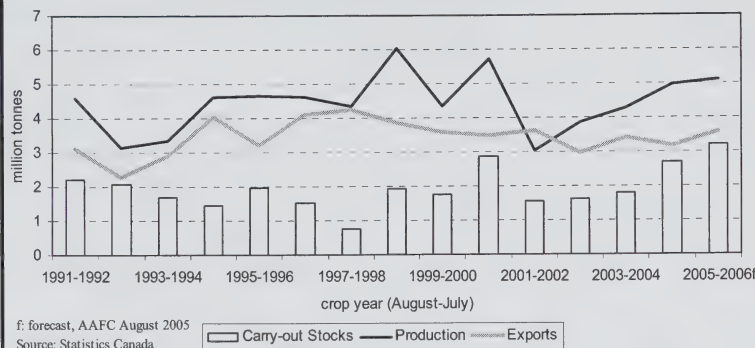
NORTH AFRICA: DURUM PRODUCTION AND IMPORTS



Canada

For non-durum wheat, 2005-2006 seeded area declined slightly, to 7.7 million hectares (Mha). In addition to this decline, abandonment is expected to be historically high for the second consecutive year due to excessive rain in Manitoba. A decrease of 3% in the harvested area estimates by Statistics Canada (SC) reflect those expectations. Despite poor yields in much of Manitoba, good moisture in the remainder of the Prairies is expected to result in average yields just 4% below last year's record, at 2.61 tonnes per hectare (t/ha) {38.8 bushels per acre (bu/ac), about

CANADA: DURUM WHEAT SUPPLY AND DISPOSITION



4 bu/ac above the 10-year average. Production is estimated by SC at 19.6 Mt, 6% below 2004-2005.

Assuming normal harvest weather, the quality of the crop in western Canada is expected to be much better than in 2004-2005, when one of the poorest quality crops on record was harvested due to premature frost and wet harvest conditions. However, protein content is negatively correlated with yields, so that protein levels may be below normal. In Ontario, production is forecast to decline by 5% to 1.6 Mt, but with good quality reported.

Carry-in stocks have risen by 28%, partially offsetting the lower production. Supplies are projected to be only marginally lower than for 2004-2005. However, these stocks are largely of poor quality wheat, which is expected to result in above-normal wheat feeding for the second year in a row. Exports are forecast to increase by 16%, to 13.2 Mt, due to increased supplies of good quality wheat. Carry-out stocks are projected to fall by 18% to a historically low 4.5 Mt, due to improved crop quality and strong export demand.

For durum wheat, 2005-2006 area seeded is similar to last year at 2.3 Mha, with reduced levels of abandonment resulting in a 4% increase in harvested area. The good moisture and heat this summer has increased durum yield potential, and the average yield is estimated at a well above average 2.28 t/ha (33.9 bu/ac), just marginally lower than in 2004-

2005. As a result, production is estimated to increase by 2%, to 5.1 Mt, the highest since 2000-2001.

As with non-durum wheat, quality is expected to be much better than last year, but potentially below normal, due to the wet growing conditions. As well, protein levels may be below average.

Carry-in stocks are up by 48%, at a record 2.7 Mt, with most expected to be of lower grades. Supplies are projected to increase by 15%, to a record 7.8 Mt, well above the 10-year average of 6.3 Mt. Exports are projected to rise by 16%, to 3.6 Mt, due to increased supplies, particularly of the top milling grades, and improved world demand, particularly in the EU and North Africa. However, durum demand is inelastic as there are few uses for the crop other than for pasta

or couscous, and it is unlikely that all Canadian supplies in 2005-2006 can be exported or consumed domestically. Therefore, carry-out stocks are expected to rise for the fourth consecutive year, to a record 3.2 Mt, well above the 10-year average of 1.8 Mt.

PRICE OUTLOOK

World

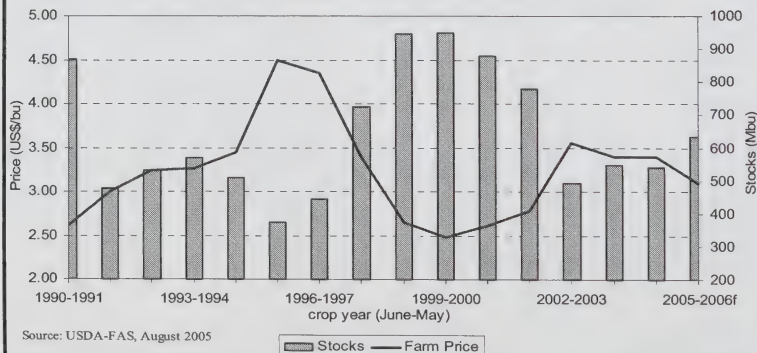
For 2005-2006, wheat prices are expected to generally decrease from 2004-2005. Pressure from higher carry-out stocks in the US is expected to more-than offset support from lower production and carry-out stocks at the world level. As the major wheat futures markets are located in the US, and since the US is a major producer and exporter of wheat, the US market has a disproportionate impact on world wheat prices. Global import demand is expected to decrease which also pressures prices downward.

Agriculture and Agri-Food Canada forecasts that world prices, as measured by the benchmark US Hard Winter Ordinary (HWO) price, FOB Gulf ports, which is determined largely by the KCBT futures market, will decrease to US\$140-\$150/t for 2005-2006 from US\$154/t in 2004-2005 (August-July).

United States

Average US wheat prices are expected to decline due to higher US carry-out stocks, which are negatively correlated with the average US farm price.

UNITED STATES: ALL WHEAT Price versus Stocks





CANADA: GRAINS AND OILSEEDS OUTLOOK

August 31, 2005

For 2005-06, Canadian grain and oilseed production is estimated by AAFC to decrease to 62.1 million tonnes (Mt), from 63.6 Mt in 2004-05, largely based on Statistics Canada's (STC) "*July 31 Estimate of Production of Principal Field Crops*". Hot and dry weather experienced during August, after the survey was taken, may result in actual yields being lower than expected by farmers at the end of July. Production in western Canada is estimated to decrease by 1% from 2004-05, to 47.7 Mt, with lower yields more than offsetting a larger harvested area. In eastern Canada, production is estimated to be down by 6%, to 14.4 Mt. Crop development is near normal in western Canada, but in eastern Canada crops are stressed by hot and dry conditions. Harvesting in western Canada is about 15% complete, slightly behind average. The quality of all crops is expected to be near normal, although wheat protein levels may be below average due to above normal yields.

Total supply of grains and oilseeds in Canada for 2005-06 is forecast to increase, to a near record level, due to sharply higher carry-in stocks. Exports are forecast to increase by 15% to about 27 Mt on support from improved quality. Total domestic usage is also forecast to increase but carry-out stocks will remain historically high. Generally, world prices are forecast to decline for wheat, but remain stable or rise slightly for corn and soybeans. Prices in Canada will continue to be pressured by the strong Canadian dollar. The major factors to watch are: harvest conditions in Canada and the US, import demand from China, EU export policy, ocean freight rates and the Canada/US exchange rate.

WHEAT (ex-durum)

For 2005-06, production is estimated to fall by 6%, due to lower area and yields. Although yields are slightly below last year, they are 10% above the 10-year average. Total supply is forecast to decline only marginally, due to higher carry-in stocks. These stocks are estimated to be mainly of low quality and as a result feed use is forecast to remain high, although down sharply from 2004-05. Exports are forecast to rise by 16% due to larger supplies of good quality wheat. Carry-out stocks are forecast to decline to a historically low level. The Canadian Wheat Board (CWB) August Pool Return Outlook (PRO) for Canada Western Red Spring wheat is below 2004-05 for high quality wheat, but unchanged to slightly higher for lower grades. Protein premiums have declined from last year, due to larger supplies of high quality spring wheat.

DURUM

Production is estimated to rise slightly due to higher seeded area and reduced abandonment. Although yields are lower than in 2004-05, they are 12% above the 10-year average. With record carry-in stocks, total supply is expected to rise by 15% to a record 7.8 Mt. Exports are expected to increase by 14% due to increased supplies of high quality durum and increased demand from major importers due to dryness in North Africa and southern Europe. However, carry-out stocks are projected to rise by 19% to a burdensome 3.2 Mt. The CWB 2005-06 PRO is below 2004-05 for all grades, due to higher North American supplies.

BARLEY

Production is estimated to fall by 6% from 2004-05, due to lower yields and harvested area. Total supply, however, is projected to increase slightly as lower production is more than offset by higher carry-in stocks resulting from the large production of low-quality barley in 2004-05. Exports are expected to rise by 25%, due to higher exportable

supplies of malting quality barley and less competition in overseas feed barley markets. Carry-out stocks are expected to drop significantly to near normal level. The off-Board feed barley price is forecast to rise slightly. Malting barley prices will be pressured by higher world production, with the CWB PRO for Special Select 2-Row down by \$6/t from 2004-05 to \$172/t.

OATS

Production is estimated to increase slightly, as higher harvested area more than offsets lower yields. Total supply is expected to rise by 8%, due to higher carry-in stocks, which resulted from below-normal exports in 2004-05 related to the poor crop quality. Exports are forecast to rise by 13% due to larger supply and improved crop quality. Carry-out stocks are expected to decrease. Feed oats prices are forecast to be similar to 2004-05, with reduced premium for milling oats.

CORN

Production is estimated to decline by 6% due mainly to lower yields. This is expected to result in a 17% increase in corn imports, mainly from the US to eastern Canada. Shipments of feed wheat and barley from western to eastern Canada are expected to decrease. Food and industrial use is forecast to rise, due to higher ethanol production. Prices are expected to rise due to higher Chicago corn prices and strengthening Chicago-Chatham spreads.

CANOLA

Production is estimated to rise by 8%, with total supply expected to increase by 18% due to higher carry-in stocks. Crop quality is expected to be slightly below normal due to stress from heat and excessive moisture and premature ripening. Despite burdensome supplies, domestic crush and exports are forecast to rise by only 6% and 3% respectively, due to competition from large

supplies of palm oil and soybeans in competing countries. Carry-out stocks are forecast to increase sharply, to a record 2.7 Mt. The average price is forecast to decrease under pressure from historically low US soyoil prices, the high Canadian dollar and the burdensome carry-out stocks.

FLAXSEED (excluding solin)

Production is estimated to increase by 102% to the highest level since 1998-99, due to a sharp rise in seeded area. Total supply is expected to rise by 68%. Exports are forecast to increase sharply due to strong EU demand and higher supply. Carry-out stocks are expected to rise sharply, but are not considered to be burdensome. The average 2005-06 price is expected to decline.

SOYBEANS

Production is estimated to fall by 3%, due to lower seeded area and yields. Despite lower imports, total supply is expected to rise slightly due to higher carry-in stocks. Domestic use is expected to rise by 5%, to a near record level. Exports are forecast to remain stable despite competition from large US and South American supplies. The average Chatham price is forecast to rise, due to stronger world soybean prices.

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CANADA: GRAINS AND OILSEEDS SUPPLY AND DISPOSITION

August 31, 2005

Grain and Crop Year	Area		Yield	Production	Imports	Total	Exports	Food & Industrial Use (e)	Feed, Waste & Dockage	Total Domestic Use (d)	Carry-out Stocks	Average Price (f)
(a)	-----000 ha-----		t/ha	-----thousand metric tonnes-----								
Durum												
2003-2004	2,483	2,459	1.74	4,280	1	5,900	3,427	252	220	684	1,788	224.21
2004-2005P	2,230	2,141	2.32	4,962	1	6,751	3,170	255	406	881	2,700	199 *
2005-2006F	2,280	2,232	2.28	5,083	1	7,784	3,600	260	524	984	3,200	191 **
Wheat Except Durum												
2003-2004	8,179	8,009	2.41	19,272	16	23,395	12,300	2,775	3,222	6,804	4,292	206.03
2004-2005P	8,169	7,722	2.71	20,898	13	25,203	11,400	2,770	4,763	8,303	5,500	187 *
2005-2006F	7,742	7,530	2.61	19,633	10	25,143	13,200	2,800	3,833	7,443	4,500	184 **
All Wheat												
2003-2004	10,662	10,467	2.25	23,552	18	29,295	15,727	3,027	3,442	7,488	6,080	
2004-2005P	10,339	9,862	2.62	25,860	14	31,955	14,570	3,025	5,169	9,185	8,200	
2005-2006F	10,022	9,762	2.53	24,716	11	32,927	16,800	3,060	4,357	8,427	7,700	
Barley												
2003-2004	5,046	4,446	2.77	12,328	36	13,838	2,445	298	8,579	9,291	2,102	135.80
2004-2005P	4,678	4,050	3.26	13,186	100	15,388	2,000	300	9,553	10,288	3,100	112.15
2005-2006F	4,520	3,915	3.16	12,358	30	15,488	2,500	380	10,003	10,788	2,200	105-125
Corn												
2003-2004	1,265	1,226	7.82	9,587	2,108	12,805	346	2,415	8,890	11,317	1,143	137.18
2004-2005P	1,185	1,072	8.24	8,836	2,400	12,378	150	2,650	8,463	11,128	1,100	100.00
2005-2006F	1,121	1,072	7.74	8,297	2,800	12,197	150	2,700	8,332	11,047	1,000	100-120
Oats												
2003-2004	2,272	1,575	2.34	3,691	19	4,234	1,557	140	1,581	1,888	788	136.65
2004-2005P	1,995	1,315	2.80	3,683	25	4,496	1,500	130	1,574	1,896	1,100	130.68
2005-2006F	1,955	1,418	2.63	3,731	15	4,846	1,700	170	1,781	2,146	1,000	120-140
Rye												
2003-2004	246	147	2.22	327	0	357	171	47	60	125	60	104.44
2004-2005P	284	165	2.53	418	1	479	230	48	109	174	75	70-80
2005-2006F	218	159	2.39	380	1	456	200	48	111	176	80	70-90
Mixed Grains												
2003-2004	241	135	2.84	384	0	384	0	0	384	384	0	
2004-2005P	220	111	2.87	318	0	318	0	0	318	318	0	
2005-2006F	219	120	2.62	314	0	314	0	0	314	314	0	
Total Coarse Grains												
2003-2004	9,070	7,529	3.50	26,317	2,162	31,618	4,519	2,899	19,495	23,006	4,093	
2004-2005P	8,362	6,713	3.94	26,441	2,526	33,060	3,880	3,128	20,018	23,805	5,375	
2005-2006F	8,031	6,684	3.75	25,080	2,846	33,301	4,550	3,298	20,541	24,471	4,280	
Canola												
2003-2004	4,736	4,689	1.44	6,771	243	7,908	3,754	3,390	113	3,545	609	387.04
2004-2005P	5,319	4,938	1.57	7,728	150	8,487	3,410	3,031	419	3,502	1,575	309.15
2005-2006F	5,485	5,214	1.60	8,325	150	10,050	3,500	3,200	605	3,850	2,700	280-320
Flaxseed												
2003-2004	745	728	1.04	754	20	903	609	n/a	n/a	202	93	382.13
2004-2005P	728	528	.98	517	40	650	465	n/a	n/a	160	25	n/a
2005-2006F	844	809	1.29	1,044	20	1,089	700	n/a	n/a	239	150	320-360
Soybeans												
2003-2004	1,051	1,047	2.17	2,268	587	3,000	914	1,500 ^{1/}	319	1,947	140	395.04
2004-2005P	1,229	1,178	2.59	3,048	450	3,638	1,000	1,580 ^{1/}	488	2,193	445	248
2005-2006F	1,176	1,158	2.56	2,963	250	3,657	1,000	1,750 ^{1/}	447	2,307	350	240-280
Total Oilseeds												
2003-2004	6,531	6,464	1.52	9,794	850	11,811	5,277	n/a	n/a	5,693	841	
2004-2005P	7,277	6,643	1.70	11,293	640	12,774	4,875	n/a	n/a	5,855	2,045	
2005-2006F	7,506	7,181	1.72	12,332	420	14,796	5,200	n/a	n/a	6,396	3,200	
Total Grains And Oilseeds												
2003-2004	26,263	24,461	2.44	59,663	3,029	72,724	25,523	n/a	n/a	36,187	11,014	
2004-2005P	26,038	23,219	2.74	63,595	3,180	77,789	23,325	n/a	n/a	38,844	15,620	
2005-2006F	25,559	23,627	2.63	62,128	3,277	81,024	26,550	n/a	n/a	39,294	15,180	

(a) August - July crop year except corn and soybeans which are September - August.

(b) Excludes imports of products. (c) Includes exports of products for wheat, oats, barley, and rye. Excludes exports of oilseed products.

(d) Total Domestic Use = Food and Industrial Use + Feed Waste & Dockage + Seed Use

(e) Industrial use excludes flaxseed due to data confidentiality.

(f) Crop year average prices: No.1 CWRS 11.5% protein and No.1 CWAD 11.5% (CWB final price I/S St. Lawrence/Vancouver), Barley (No. 1 feed, WCE, cash, I/S Lethbridge), Corn (No.2 CE, cash, I/S Chatham), Oats (US No. 2 Heavy, CBOT nearby futures), Rye (No.2 Canada, Elevator bids at select western delivery points); Canola (No. 1 Canada, WCE, cash, I/S Vancouver); Flaxseed (No. 1 CW, WCE, cash, I/S Thunder Bay); Soybeans (No. 2, I/S Chatham).

* CWB Pool Return Outlook (PRO) - July 28, 2005 ** CWB Pool Return Outlook (PRO) - August 25, 2005

^{1/} Source for Food and Industrial Use is based on data from the Canadian Oilseed Processors Association.

P: preliminary

F: forecast - Agriculture and Agri-Food Canada - August 31, 2005

Source: Statistics Canada, Cereals and Oilseeds Review Series, Cat. No. 22-007



CANADA: PULSE AND SPECIAL CROPS OUTLOOK

August 31, 2005

Total Canadian pulse and special crops production is estimated to increase by 4%, from 2004-05, to 5.43 million tonnes (Mt), based on Statistics Canada's (STC) July 31 production estimates and AAFC forecasts where STC estimates were not available. Total supply is expected to increase by 14% to 6.67 Mt, due to higher production and higher carry-in stocks. Exports are forecast to increase by 13% and domestic use by 7% due to stronger demand, but carry-out stocks are also expected to increase. Average prices, over all types, grades and markets, are forecast to increase for chickpeas and mustard seed, decrease for dry peas, lentils, dry beans, canary seed and sunflower seed, and be the same for buckwheat.

STC's yield estimates are significantly higher than trend for Ontario, Saskatchewan and Alberta, and much below trend for Manitoba. Since the survey was conducted from July 20 to August 5 before the start of harvest, the actual yields for crops in western Canada could be lower than the estimates because of hot and dry weather in late July and early August. Crop abandonment is expected to be slightly lower than normal, except for Manitoba where significantly higher than normal abandonment is expected. Harvest progress is about a week behind normal, but significantly ahead of 2004-05. Harvesting of dry peas, lentils, chickpeas and mustard seed is underway and harvesting of canary seed and dry beans has started. The buckwheat harvest is expected to start in mid September and the sunflower seed harvest in early October. Quality is expected to be normal and significantly better than in 2004-05, assuming that precipitation and temperatures will be normal for the harvest period. Wet weather and early frosts would reduce both yields and quality.

The main factors to watch are precipitation and temperatures during September and October in Canada. Other factors to watch are the exchange rates of the Canadian dollar against the US dollar and other currencies, ocean shipping rates, and growing and harvest conditions in major producing regions, especially United States, India and Australia.

DRY PEAS

For 2005-06, production is estimated to decrease by 3%, as a 2% rise in seeded area is more than offset by lower yields. Production is expected to decrease for yellow, green and other types. Supply is forecast to increase by 8% due to higher carry-in stocks. World supply is expected to increase by 2% to 12.6 Mt, but use is also forecast to increase, resulting in stable carry-out stocks. Canadian exports and domestic use are expected to increase due to stronger demand in the food markets in Asia and in the feed markets in the EU and Canada. Carry-out stocks are forecast to remain stable, with a stocks-to-use (s/u) ratio of 18%. The average price, over all types, grades and markets, is forecast to decrease slightly due to the higher world supply.

LENTILS

For 2005-06, production and supply are estimated to increase significantly, due to an 11% rise in seeded area and higher yields. Production is expected to increase for all types; large, medium and small green, and red. World supply is forecast to increase by 14% to 4.44 Mt. Although world use is expected to increase because of higher demand, resulting mostly from lower prices, carry-out stocks are forecast to rise. Canadian exports are expected to increase by 22% due to the higher demand. Carry-out stocks are forecast to rise significantly, with a s/u ratio of 48%. The average price, over all types and grades, is forecast to decrease moderately from 2004-05, as pressure from higher world supply is partly offset by support from higher quality.

DRY BEANS

For 2005-06, production and supply are estimated to increase, due to a 25% rise in seeded area and lower abandonment. Production is expected to increase for white pea, pinto, black, dark and light red kidney, cranberry and small red beans, but remain

stable for Great Northern and pink beans. US production is forecast to increase by 44% to 1.12 Mt, while supply increases by only 20% to 1.26 Mt due to lower carry-in stocks. Canadian exports are forecast to increase slightly due to higher supply. Carry-out stocks are expected to increase, with a s/u ratio of 6%. The average price, over all classes and grades, is forecast to decrease due to the higher supply.

CHICKPEAS

For 2005-06, production and supply are estimated to increase, because of a 65% increase in seeded area, lower abandonment and higher yields. Production is expected to increase for large and small kabuli types, but decrease slightly for the desi type. World supply is expected to increase marginally to 8.95 Mt. Canadian exports are forecast to increase due to the higher supply. Carry-out stocks are expected to increase, but remain low. The average price, over all types, grades and sizes, is forecast to increase due to higher quality and a shift to the production of the higher priced kabuli types.

MUSTARD SEED

For 2005-06, production is estimated to decrease by 28% because of a 32% fall in seeded area, which is partly offset by higher yields. Production is expected to decrease for all types, yellow, brown and oriental. Supply is expected to increase slightly due to higher carry-in stocks. Although exports are forecast to rise due to higher demand, carry-out stocks are forecast to decrease only slightly, with a s/u ratio of 81%. The average price, over all types and grades, is expected to increase marginally as higher quality more than offsets pressure from the higher supply.

CANARY SEED

For 2005-06, production is estimated to decrease by 19%, as a 43% fall in seeded area is mostly offset by higher yields. Supply is

expected to increase by 9%, as higher carry-in stocks more than offset the fall in production. World supply, 90% of which is in Canada, is forecast to increase by 8% to 440,000 t. Although Canadian exports are expected to increase due to higher demand, carry-out stocks are forecast to rise, with a s/u ratio of 74%. The average price is forecast to decrease because of the higher supply.

SUNFLOWER SEED

For 2005-06, production and supply are estimated to increase due to a 12% rise in seeded area, lower abandonment and higher yields. Production is expected to increase for both types, confectionery and oilseed. US supply is forecast to increase by 49% to 1.62 Mt. World supply is expected to increase by 5% to 28.7 Mt. Canadian exports and domestic use are forecast to increase because of the higher supply. Carry-out stocks are expected to increase, but remain low. The average price, over both types and all grades, is forecast to decrease because of the higher supply in US and Canada.

BUCKWHEAT

For 2005-06, Canadian production is forecast to remain stable, as a lower seeded area is offset by lower abandonment and higher yields. Supply is expected to decrease due to lower carry-in stocks. Exports are forecast to decrease and carry-out stocks are expected to be negligible. The average price is forecast to be the same as in 2004-05, in line with a relatively stable world supply.

FURTHER INFORMATION:

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CANADA: PULSE AND SPECIAL CROPS SUPPLY AND DISPOSITION

August 31, 2005

Grain and Crop Year (a)	Area Seeded 000 ha	Area Harvested 000 ha	Yield t/ha	Production	Imports (b)	Total Supply	Exports (b)	Total Domestic Use (d)	Carry-out Stocks	Average Price (e) \$/t
						----- thousand metric tonnes -----				
Dry Peas										
2001-2002	1,344	1,285	1.57	2,023	27	2,245	1,381	589	275	190
2002-2003	1,297	1,050	1.30	1,365	41	1,681	628	743	310	210
2003-2004	1,303	1,271	1.67	2,124	24	2,458	1,316	937	205	175
2004-2005p	1,388	1,345	2.48	3,338	40	3,583	1,900	1,083	600	135
2005-2006f	1,410	1,364	2.37	3,228	30	3,858	2,100	1,158	600	115-145
Lentils										
2001-2002	708	664	0.85	566	6	828	478	219	131	320
2002-2003	601	387	0.91	354	9	494	320	119	55	390
2003-2004	554	536	0.97	520	5	580	368	174	38	420
2004-2005p	778	750	1.28	962	8	1,008	510	328	170	310
2005-2006f	860	847	1.44	1,219	5	1,394	620	324	450	265-295
Dry Beans										
2001-2002	184	175	1.70	298	42	380	263	82	35	725
2002-2003	230	219	1.89	414	40	489	298	96	95	445
2003-2004	167	167	2.13	356	31	482	344	83	55	495
2004-2005p	163	126	1.75	220	30	305	263	37	5	650
2005-2006f	203	172	1.77	304	40	349	270	59	20	530-560
Chickpeas										
2001-2002	486	467	0.97	455	12	497	146	211	140	380
2002-2003	221	154	1.01	156	9	305	105	140	60	300
2003-2004	63	63	1.08	68	2	130	74	36	20	330
2004-2005p	47	39	1.31	51	5	76	45	26	5	385
2005-2006f	77	72	1.39	100	5	110	65	35	10	410-440
Mustard Seed										
2001-2002	166	158	0.66	105	3	213	171	9	33	685
2002-2003	289	255	0.60	154	9	196	114	22	60	595
2003-2004	340	328	0.69	226	2	288	121	75	92	390
2004-2005p	317	304	1.00	305	2	399	130	79	190	295
2005-2006f	217	212	1.04	220	2	412	150	77	185	285-315
Canary Seed										
2001-2002	170	163	0.70	114	0	184	134	20	30	660
2002-2003	287	227	0.78	176	0	206	164	22	20	575
2003-2004	251	243	0.93	226	0	246	168	11	67	345
2004-2005p	356	318	0.94	300	0	367	175	37	155	230
2005-2006f	204	199	1.23	244	0	399	185	44	170	205-235
Sunflower Seed										
2001-2002	73	67	1.55	104	29	179	92	65	22	355
2002-2003	100	95	1.65	157	21	200	105	60	35	440
2003-2004	119	115	1.30	150	16	201	96	80	25	405
2004-2005p	87	59	0.92	54	30	109	35	69	5	490
2005-2006f	98	81	1.31	106	30	141	55	76	10	375-405
Buckwheat										
2001-2002	14	14	1.14	16	1	17	6	8	3	325
2002-2003	12	12	1.00	12	1	16	6	7	3	340
2003-2004	9	9	1.11	10	1	14	5	7	2	355
2004-2005p	9	7	0.71	5	1	8	4	4	0	355
2005-2006f	7	5	1.00	5	1	6	2	4	0	340-370
Total Pulse And Special Crops (c)										
2001-2002	3,131	2,993	1.23	3,681	120	4,543	2,671	1,203	669	
2002-2003	3,025	2,399	1.16	2,788	130	3,587	1,740	1,209	638	
2003-2004	2,797	2,732	1.35	3,680	81	4,399	2,492	1,403	504	
2004-2005p	3,136	2,948	1.78	5,235	116	5,855	3,062	1,663	1,130	
2005-2006f	3,075	2,952	1.84	5,426	113	6,669	3,447	1,777	1,445	

(a) August-July crop year.

(b) Excludes products.

(c) Includes Pulse Crops (dry peas, lentils, dry beans, chick peas) and Special Crops (mustard seed, canary seed, sunflower seed, buckwheat)

(d) Includes food, feed, seed, waste and dockage. Total domestic use is calculated residually.

(e) Producer price, FOB plant. Average over all types, grades and markets.

p: preliminary

f: forecast, Agriculture and Agri-Food Canada, August 31, 2005

Source: Statistics Canada and industry consultations.

A. SELLING PRICE OF BULK FEED INGREDIENTS AT SELECTED POINTS

September 6, 2005

SELECTED POINT	REFERENCE PERIOD	PRICE BASIS	(1)	WHEAT	OATS	BARLEY	CORN	PRICE BASIS	SOYBEAN MEAL	CANOLA MEAL	MILL- FEEDS	MEAT MEAL	FISH MEAL	ANIMAL FAT	GLUTEN MEAL	GLUTEN FEED	FEED PEAS	DEHY ALFALFA	FEATHER MEAL
Vancouver	September 6, 2005	FOB		N/A	N/A	N/A	135.00		282.00	158.00	98.00		850.00	460.00					415.00
BC (4) (7)	August 29, 2005	FOB		129.00	N/A	134.00	137.00		281.00	153.00	105.00		850.00	460.00					415.00
Calgary	September 6, 2005	FOB		N/A	N/A	N/A	N/A		285.50				975.00	495.00					390.00
AB (4)	August 29, 2005	FOB		104.00	N/A	105.00	130.00		286.50				975.00	495.00					390.00
Saskatoon	September 6, 2005	FOB		90.25	139.00	88.75	N/A		273.00	N/A			145.00	N/A			116.33		430.00
SK (4)	August 29, 2005	FOB		90.25	139.00	88.75	117.00		274.00	N/A			150.00	N/A			117.77		430.00
Winnipeg	September 6, 2005	FOB		131.00	140.00	109.00	N/A		262.33	N/A			290.00	1025.00					360.00
MB (4) (9)	August 29, 2005	FOB		131.00	140.00	108.00	105.00		263.00	N/A			290.00	1025.00					360.00
Thunder Bay	September 6, 2005	In-Store		107.50	N/A	102.00													
ON (8)	August 29, 2005			107.00	N/A	105.15													
Lake Ports	September 6, 2005	On Board					94.61												
USA (3)	August 29, 2005	Vessel					100.06												
Bay Ports	September 6, 2005	In-Store		140.00	205.00	118.00													
ON (5)	August 29, 2005			140.00	205.00	118.00													
Chatham	September 6, 2005	Track					105.65												
ON	August 29, 2005						115.43												
Toronto	September 6, 2005	N/A																	
ON (5)	August 29, 2005																		
Hamilton	September 6, 2005	N/A																	
ON	August 29, 2005																		
Eastern	September 6, 2005	FOB					104.50												
ON	August 29, 2005						109.00												
London	September 6, 2005	FOB																	
ON	August 29, 2005																		
Port Colborne	September 6, 2005	FOB																	
ON	August 29, 2005																		
Cardinal	September 6, 2005	FOB																	
ON	August 29, 2005																		
Montreal	September 6, 2005			141.00	140.00	141.00	115.00		297.01	193.58	55.00		260.00	850.00	453.00				488.00
QC (5)	August 29, 2005			141.00	150.00	140.50	115.00		300.86	198.20	55.00		250.00	850.00	431.00				410.00
Trois-Rivières	September 6, 2005	In-Store		135.10		149.20	126.86												
QC	August 29, 2005			138.40		149.30	121.55												
St. Jean QC (2)	September 6, 2005	FOB		132.64	114.04	125.54	113.03		277.40										
St. Hyacinthe QC	August 29, 2005			119.30	113.15	116.92	106.18		277.64										
Quebec	September 6, 2005	In-Store		142.37	N/A	160.66	121.73		295.94	204.88									
QC	August 29, 2005			143.47	N/A	160.70	124.90		304.00	204.97									
Truro	September 6, 2005	Track		164.03		167.20	154.40		338.16	258.86									
NS	August 29, 2005			173.44		167.20	162.09		342.76	258.86									
Truro	September 6, 2005	Water		N/A	N/A	N/A	N/A												
NS	August 29, 2005	& Truck		N/A	N/A	N/A	N/A												
Halifax	September 6, 2005	In-Store		N/A	N/A	N/A	N/A		341.00		297.50		1,050.00	N/A					
NS (6)	August 29, 2005			N/A	N/A	N/A	162.50		340.00		297.50		1,100.00	N/A					

Source: Market Analysis Division, Agriculture and Agri-Food Canada; Thunder Bay prices are based on the Winnipeg Commodity Exchange (WCE) market close
 Contact: André Dombé Statistical Clerk Telephone: (204) 983-0581 Fax: (204) 983-5524 Email: dombea@agr.gc.ca
 US\$1.00=CANS1.1882, closing date September 2, 2005
 N/A = not available

Footnotes: All prices in Canadian dollars per metric tonne based on survey respondents.
 Grain grades (unless otherwise specified) are: Western or Eastern Feed Wheat, Feed Oats, No.1 Canada Western or Eastern Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn, Soybean Meal 48 % Protein. Canola Meal based on minimum standard of 35% Protein. Fish Meal: white fish and/or herring meal. Gluten Meal 60% Protein. Gluten Feed 21% Protein.

(1) Wheat 3CWSR (2) Canadian Corn #3 or #2 (3) US Corn (4) Fish Meal from West Coast 63% Protein (5) Fish Meal 60% Protein (6) Herring Fish Meal (7) Fraser Valley (8) Wheat & Barley (Basis - Cash Price WCE) (9) Oats 3CW

B. CASH PRICES AND REPLACEMENT VALUES

September 6, 2005

PRAIRIE GRAINS

Selected Points	Price Basis		This week 6-Sep-05	Last week 22-Aug-05	Month ago 8-Aug-05	Year ago 13-Sep-04
From: Thunder Bay(WCE) (2)	In-Store	Wheat	107.00	107.00	108.00	136.80
(CBOT)		Oat	142.25	149.50	155.25	141.75
(Lethbridge)		Barley	102.00	104.00	105.00	105.00
To: Bayport, ON (1)	In-store	Wheat	130.61	130.61	131.61	160.41
		Oat	N/A	N/A	N/A	N/A
		Barley	129.39	131.39	132.39	132.39
Montreal, QC (1)	In-store	Wheat	135.03	135.03	136.03	164.83
		Oat	N/A	N/A	N/A	N/A
		Barley	134.31	136.31	137.31	137.31
Moncton, NB	Truck via Halifax	Wheat	157.25	157.25	158.25	187.05
		Oat	N/A	N/A	N/A	N/A
		Barley	158.50	160.50	161.50	161.50
Truro, NS	Truck via Halifax	Wheat	151.22	151.22	152.22	181.02
		Oat	N/A	N/A	N/A	N/A
		Barley	156.00	158.00	159.00	159.00
Halifax, NS (1)	In-store	Wheat	142.28	142.28	143.28	172.08
		Oat	N/A	N/A	N/A	N/A
		Barley	142.30	144.30	145.30	145.30
Stephenville, NL	Track / Truck via Sydney	Wheat	205.63	205.63	206.63	235.43
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A
Melfort, SK		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Bayport, ON		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Montreal, QC		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Moncton, NB		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Truro, NS		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track / Truck via Sydney	Barley	N/A	N/A	N/A	N/A
Stephenville, NL		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A

Selected Points	Price Basis		This week 6-Sep-05	Last week 22-Aug-05	Last week 8-Aug-05	Year ago 13-Sep-04
Corn						
From: US Lake Port	On Board Vessel		94.61	98.09	100.06	127.88
To: Montreal, QC (1)	In-store		113.65	117.13	119.10	146.92
From: Chicago (IL)	Track		101.62	99.04	101.00	112.67
To: Montreal, QC	Track		130.48	127.90	129.86	141.53
From: Chatham, ON	Track		105.65	109.27	110.30	143.70
To: Montreal, QC	Track		129.52	133.14	134.17	167.57

Soymeal 48% Protein

From: Hamilton, ON			274.58	283.07	224.54	303.46
To: Montreal, QC	Track		298.91	307.40	248.87	327.79
Moncton, NB	Track		317.66	326.15	267.62	346.54
Truro, NS	Track		320.88	329.37	270.84	349.76
Stephenville, NL	Track / Truck via Sydney		369.51	378.00	319.47	398.39

1. Prices include ONE month of storage and interest charges n/a = not available
 2. Thunder Bay prices are based on the Winnipeg Commodities Exchange market close (Cash price)

Source: Market Analysis Division, Agriculture and Agri-Food Canada

Contact: André Doumbé: Statistical Clerk (204) 983-0581 Fax: (204) 983-5524 e-mail: doumbea@agr.gc.ca

Footnotes: All prices quoted in Canadian dollars per metric tonne.

Grain grades (unless otherwise specified) are: Canada Western Feed Wheat, Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn.

Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec.

Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable

A. SELLING PRICE OF BULK FEED INGREDIENTS AT SELECTED POINTS

August 22, 2005

SELECTED POINT	REFERENCE PERIOD	PRICE BASIS	(1) WHEAT	OATS	BARLEY	CORN	PRICE BASIS	SOYBEAN MEAL	CANOLA MEAL	MILL-FEEDS	MEAT MEAL	FISH MEAL	ANIMAL FAT	GLUTEN MEAL	GLUTEN FEED	FEED PEAS	DEHY ALFALFA	FEATHER MEAL
Vancouver	August 22, 2005	FOB	129.00	N/A	134.00	140.00		293.00	159.39	105.00	850.00	850.00	460.00					415.00
BC (4) (7)	August 15, 2005	FOB	129.00	N/A	134.00	137.50		305.50	167.00	106.00	140.00	975.00	495.00					390.00
Calgary	August 22, 2005	FOB	104.00	N/A	105.00	125.00		293.00			140.00	975.00	495.00					390.00
AB (4)	August 15, 2005	FOB	104.00	N/A	105.00	125.00		293.00			140.00	975.00	495.00					390.00
Saskatoon	August 22, 2005	FOB	90.25	139.00	88.75	122.00		295.50	N/A		145.00	N/A	495.00			116.10		430.00
SK (4)	August 15, 2005	FOB	90.25	139.00	88.75	122.00		301.00	N/A		145.00	N/A	495.00			116.10		430.00
Winnipeg	August 22, 2005	FOB	130.00	140.00	108.50	105.00		276.50	N/A		290.00	1025.00	525.00					360.00
MB (4) (9)	August 15, 2005	FOB	130.00	140.00	108.50	105.00		281.50	N/A		290.00	1025.00	525.00					360.00
Thunder Bay	August 22, 2005	In-Store	107.00	N/A	105.13													
ON (8)	August 15, 2005	On Board	106.50	N/A	105.25													
Lake Ports	August 22, 2005	Vessel				98.09												
USA (3)	August 15, 2005					100.06												
Bay Ports	August 22, 2005	In-Store	140.00	205.00	118.00													
ON	August 15, 2005	Track	140.00	205.00	118.00													
Chatham	August 22, 2005					109.27												
ON	August 15, 2005					115.43												
Toronto	August 22, 2005	N/A					FOB				193.00	N/A	460.00	425.00	114.00		270.00	460.00
ON (5)	August 15, 2005										193.00	N/A	460.00	425.00	114.00		270.00	460.00
Hamilton	August 22, 2005	N/A						283.07	#N/A									
ON	August 15, 2005							224.54	#N/A									
Eastern	August 22, 2005	FOB				110.00												
ON	August 15, 2005	FOB				106.00												
London	August 22, 2005	FOB												425.00	114.00			
ON	August 15, 2005													425.00	114.00			
Port Colborne	August 22, 2005	FOB								33.00				425.00	114.00			
ON	August 15, 2005									43.00				425.00	114.00			
Cardinal	August 22, 2005	FOB												425.00	114.00			
ON	August 15, 2005		141.00	150.00	140.50	115.00		296.25	196.05	59.33				425.00	114.00			
Montreal	August 22, 2005		141.00	150.00	141.00	115.00	FOB	299.85	212.90	60.00	250.00	850.00	411.00	425.00	114.00		270.00	410.00
QC (5)	August 15, 2005	In-Store																
Trois-Rivières	August 22, 2005		137.60		149.25	124.11												
QC	August 15, 2005	FOB	138.00		149.50	129.03		289.37										
St. Jean OC (2)	August 22, 2005	FOB	118.07	112.91	121.03	106.48		300.50										
St. Hyacinthe QC	August 15, 2005	In-Store	118.18	112.18	117.48	108.45		304.86	207.23									
Quebec	August 22, 2005		143.20	N/A	160.68	125.75												
QC	August 15, 2005	Track	143.33	N/A	160.96	129.40		328.22	224.53									
Truro	August 22, 2005		173.43		167.20	160.29		344.19	258.86		246.25		505.00					460.00
NS	August 15, 2005	Water	170.43	N/A	167.20	155.99	FOB	357.48	258.86		245.05		505.00					445.00
Truro	August 22, 2005	Truck	N/A	N/A	N/A	N/A												
NS	August 15, 2005	In-Store	N/A	N/A	N/A	162.00		346.10		297.50		1,100.00	#DIV/0!					
Halifax	August 22, 2005		N/A	N/A	N/A	159.50		378.00		297.50		1,100.00	#DIV/0!					
NS (6)	August 15, 2005		N/A	N/A	N/A	159.50		378.00		297.50		1,100.00	#DIV/0!					

Source: Market Analysis Division, Agriculture and Agri-Food Canada; Thunder Bay prices are based on the Winnipeg Commodity Exchange (WCE) market close
 Contact: André Dombé Statistical Clerk Telephone: (204) 983-0581 Fax: (204) 983-5524 Email: dombea@agr.gc.ca
 N/A = not available
 US\$1.00=CANS1.2139, closing date August 19, 2005

Footnotes: All prices in Canadian dollars per metric tonne based on survey respondents.
 Grain grades (unless otherwise specified) are: Western or Eastern Feed Wheat, Feed Oats, No. 1 Canada Western or Eastern Barley, No. 2 Canada Yellow Corn, No. 3 US Yellow Corn.
 Soybean Meal 48 % Protein. Canola Meal based on minimum standard of 35% Protein. Fish Meal: white fish and/or herring meal. Gluten Meal 60% Protein. Gluten Feed 21% Protein.

(1) Wheat 3CWRs (2) Canadian Corn #3 or #2 (3) US Corn (4) Fish Meal from West Coast 63% Protein (5) Fish Meal 60% Protein (6) Herring Fish Meal (7) Fraser Valley (8) Wheat & Barley (Basis - Cash Price WCE) (9) Oats 3CW

B. CASH PRICES AND REPLACEMENT VALUES

August 22, 2005

PRAIRIE GRAINS

Selected Points		Price Basis		This week 22-Aug-05	Last week 8-Aug-05	Month ago 25-Jul-05	Year ago 23-Aug-04
From:	Thunder Bay(WCE) (2)	In-Store	Wheat	107.00	108.00	109.00	136.80
	(CBOT)		Oat	149.50	155.25	169.00	141.75
	(Lethbridge)		Barley	104.00	105.00	112.50	105.00
To:	Bayport, ON (1)	In-store	Wheat	130.61	131.61	132.61	160.41
			Oat	N/A	N/A	N/A	N/A
			Barley	131.39	132.39	139.89	132.39
	Montreal, QC (1)	In-store	Wheat	135.03	136.03	137.03	164.83
			Oat	N/A	N/A	N/A	N/A
			Barley	136.31	137.31	144.81	137.31
	Moncton, NB	Truck via Halifax	Wheat	157.25	158.25	159.25	187.05
			Oat	N/A	N/A	N/A	N/A
			Barley	160.50	161.50	169.00	161.50
	Truro, NS	Truck via Halifax	Wheat	151.22	152.22	153.22	181.02
			Oat	N/A	N/A	N/A	N/A
			Barley	158.00	159.00	166.50	159.00
	Halifax, NS (1)	In-store	Wheat	142.28	143.28	144.28	172.08
			Oat	N/A	N/A	N/A	N/A
			Barley	144.30	145.30	152.80	145.30
	Stephenville, NL	Track / Truck via Sydney	Wheat	205.63	206.63	207.63	235.43
			Oat	N/A	N/A	N/A	N/A
			Barley	N/A	N/A	N/A	N/A
	Melfort, SK		Wheat	N/A	N/A	N/A	N/A
			Oat	N/A	N/A	N/A	N/A
		Track	Barley	N/A	N/A	N/A	N/A
	Bayport, ON		Wheat	N/A	N/A	N/A	N/A
			Oat	N/A	N/A	N/A	N/A
		Track	Barley	N/A	N/A	N/A	N/A
	Montreal, QC		Wheat	N/A	N/A	N/A	N/A
			Oat	N/A	N/A	N/A	N/A
		Track	Barley	N/A	N/A	N/A	N/A
	Moncton, NB		Wheat	N/A	N/A	N/A	N/A
			Oat	N/A	N/A	N/A	N/A
		Track	Barley	N/A	N/A	N/A	N/A
	Truro, NS		Wheat	N/A	N/A	N/A	N/A
			Oat	N/A	N/A	N/A	N/A
		Track / Truck via Sydney	Barley	N/A	N/A	N/A	N/A
	Stephenville, NL		Wheat	N/A	N/A	N/A	N/A
			Oat	N/A	N/A	N/A	N/A
			Barley	N/A	N/A	N/A	N/A

Soymeal 48% Protein

Selected Points		Price Basis		This week 22-Aug-05	Last week 8-Aug-05	Month ago 25-Jul-05	Year ago 23-Aug-04
From:	US Lake Port	On Board Vessel		98.09	100.06	122.89	130.40
To:	Montreal, QC (1)	In-store		117.13	119.10	141.93	149.44
From:	Chicago (IL)	Track		99.04	101.00	123.86	119.16
To:	Montreal, QC	Track		127.90	129.86	152.72	148.02
From:	Chatham, ON	Track		109.27	110.30	122.08	145.18
To:	Montreal, QC	Track		133.14	134.17	145.95	169.05

- Prices include ONE month of storage and interest charges n/a = not available
- Thunder Bay prices are based on the Winnipeg Commodities Exchange market close (Cash price)

Source: Market Analysis Division, Agriculture and Agri-Food Canada

Contact: André Doumbé: Statistical Clerk (204) 983-0581 Fax: (204) 983-5524 e-mail: doumbea@agr.gc.ca

Footnotes: All prices quoted in Canadian dollars per metric tonne.

Grain grades (unless otherwise specified) are: Canada Western Feed Wheat, Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn.

Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec.

Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable



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SOUTH KOREA

South Korea is the largest of the four "Asian tigers" (Taiwan, Hong Kong and Singapore) and in 2003 was the 12th largest merchandise (exports and imports) trading nation in the world. It is also one of the world's largest feed grain importers. South Korea's livestock industry is growing and the market for feed grain is expected to continue to expand. In 2004-2005, South Korea was the fifth largest importer of Canadian wheat which was especially important to Canada because of a surplus of feed quality wheat in western Canada caused by adverse weather conditions which lowered crop quality. For 2005-2006, the Canadian Wheat Board (CWB) recently signed an agreement to sell premium quality Canada Western Red Spring wheat to Korean flour mills. Korea is also a large importer of Canadian malt.

In July 2005, Canada formally announced the launch of bilateral free trade negotiations. A Free Trade Agreement (FTA) which would enhance Canada's important bilateral economic relationship with South Korea would also strengthen our presence in the dynamic northeast Asian region. This issue of the *Bi-weekly Bulletin* examines South Korea's agriculture industry and the potential for increased trade with Canada.

BACKGROUND

The Asia-Pacific Region is Canada's second largest trading partner. It accounted for about 5% of trade in 2004. Within the Pacific Rim countries, South Korea ranked as Canada's third largest trading partner of the region behind China and Japan. In 2003, South Korea accounted for 11% of Canada's exports to this area. Canada's major competitors for the South Korean agri-food import market are the United States (US), China, Japan, the European Union (EU) and Australia.

In 2005, the population of South Korea is about 48 million (M) with a land mass of 100,000 square kilometres but only 20% is arable. The major crops grown are rice, barley, corn, soybeans, white and sweet potatoes, fruits and vegetables. South Korea depends on imports for 60-70% its food and feed needs. This has increased from about 50% in 1990 and 40% in 1980.

According to *The World Factbook*, South Korea's Gross Domestic Product (GDP) was US\$925 billion (G)

(2004 estimate), the world's 16th largest economy. In comparison, Canada's GDP was US\$1.023 trillion, the 13th largest economy in the world. GDP per capita in 2004 was US\$31,500 for Canada and US\$19,200 for South Korea.

In 2004, two-way merchandise trade was approximately CAN\$8.1G (Canada exported CAN\$2.3G and imported CAN\$5.8G) and two-way direct investment was over CAN\$1G (Canadian direct investment in Korea was CAN\$686M). The excess of Canadian imports over exports has created a trade deficit of CAN\$3.5G. In 2003, two-way trade in services was CAN\$889M (Canada exported CAN\$595M and imported CAN\$294M).

Canada's interest in Korea lies in three main areas: tapping into the value chains of globally competitive production and supply from Korean corporations; selling raw materials and key competitive technologies and products; and, employing Korea as a strategic base to establish an export and manufacturing presence in Northeast Asia. Current and potential

export growth exists in many sectors, including; wood pulp, mineral fuels, metals, electrical machinery, shellfish and a wide variety of agricultural products. Korean exports to Canada cover a broad range of sectors, dominated by motor vehicles and auto parts, electrical machinery, computers, rubber, and steel. In 2004, 1.74% of Canada's imports came from South Korea and 0.57% of Canada's exports went to South Korea.

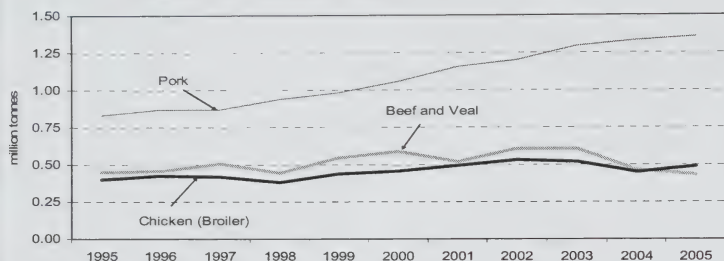
AGRICULTURE

Trade

In 2004, South Korea was the world's 9th largest exporter (total trade) and 13th largest importing country.

The seven main suppliers to South Korea are: the US, Australia, Malaysia, New Zealand, Canada, EU and China. In 2004, it imported US\$10.5G in agricultural goods, which accounted for 4.7% of its total imports. Its agriculture exports were US\$1.7G. South Korea imported US\$14.7G of agricultural, forestry and fishery products in 2004, a 9% increase from 2003.

SOUTH KOREA: MEAT CONSUMPTION



Source: USDA

In 2004, Canada exported CAN\$244.3M of agri-food products to South Korea, with wheat accounting for 31% and pork 13%. Canada imported CAN\$42M of agri-food products from South Korea, with pasta accounting for 34%.

Industrial Structure

The number of people employed in the agriculture, forestry, and fishery sectors has declined from about 60% in 1965 to less than 10% currently. Although agriculture only accounts for 3.6% of GDP, it accounts for 8.8% of employment. Since the 1960's, South Korea has been a large net importer of agriculture products, mostly consisting of: raw materials to support the manufacture of clothing and shoes for exports, wheat for food use and feed for livestock.

Meat Consumption

Asia-Pacific countries are generally moving towards a more western style diet. The demand for more variety, food-away-from-home and pre-packed convenience foods has increased significantly. This is due to increasing affluence, more women in the workforce, and a younger generation which is well-traveled and has acquired a taste for different types of food.

The demand for meat and poultry products in South Korea has increased significantly over the past decade in response to higher per capita income. However, after trending upward until 2003, consumption of beef and veal has recently declined. With the ban on US and Canadian beef due to Bovine Spongiform Encephalopathy (BSE), imports fell in 2004, causing beef consumption to decrease. With this ban, imported beef prices have risen, and consumers are switching to pork and poultry. Domestic beef prices have fallen somewhat, but still are roughly five times the imported beef price. Chicken consumption has remained constant while pork consumption has been increasing. Poultry consumption has recovered from the temporary, but dramatic decline in 2004 due to avian influenza concerns.

Livestock Production

The limited amount of land for agriculture production constrains the expansion of the livestock industry. While hog and dairy cow numbers continue to decrease, beef cattle numbers are increasing, and chicken inventories have remained relatively stable.

Poultry

The production of layer and broiler chickens is expected to increase due to strong demand for poultry products and low compound feed prices in the poultry sector. South Korea currently uses imported chicken meat at restaurants and fast food chains. With the demand for poultry products on the rise, this will lead to a production increase in both layer and broiler chickens. Chicken farms have been evolving towards larger, more efficient farms due to increasing foreign competition.

Beef and Dairy

The majority of the South Korean cattle herd is made up by native *Hanwoo* cattle which account for 70% of domestically raised beef while *Holstein* dairy cows make up the rest. Dairy cattle numbers are decreasing due to overproduction of milk and a herd reduction program. The typical herd size is usually between 1-4 head. However, the increase in numbers of beef cattle is expected to be reversed if Korea re-opens its border to US beef.

In 2003, South Korea banned imports of beef and dairy products from Canada and the US when BSE was discovered. Prior to this ban, South Korea was Canada's fourth largest beef importer.

Hogs

South Korea's hog industry was hit with swine fever and foot-and-mouth disease in 2000. Many countries have banned pork imports from South Korea due to these diseases.

SOUTH KOREA: LIVESTOCK INVENTORIES

	Swine	Dairy Cows	Beef Cows	Chickens*
	.....thousand head.....			thousand birds
2002	8,879	545	1,423	104,326
2003	9,149	535	1,426	99,263
2004	9,046	508	1,624	97,631
2005	8,845	492	1,770	101,190

* includes Layer and Broiler

Source: USDA

SOUTH KOREA: WHEAT IMPORTS MARKET SHARE BY SOURCE

	2000	2001	2002	2003	2004
	.....percent.....				
US	45	43	39	43	41
Australia	38	30	31	28	38
China	-	7	11	15	9
Canada	8	9	4	5	5
India	-	7	5	3	4
Ukraine	2	5	11	4	2

Note: Wheat Includes Durum; Market Shares may not total 100 due to rounding

Source: Global Trade Atlas

The Korean Government recently announced a mandatory registration for hogs. Regulations require that hog farmers register their operations with the municipal government. Farmers must demonstrate that they have a minimum amount of space per animal

and agree to attend extension classes on environmentally friendly agriculture once a year. Because of this regulation, inventories of hogs continued to decrease in the market year 2004-2005.

Rice

Rice is South Korea's largest agriculture commodity produced. In 2004-2005, South Korea production of milled rice was 5 million tonnes (Mt) and rough rice was 6.7 Mt. Since 2000, area harvested has been decreasing, but is expected to increase in the 2005-2006 crop year. In 2004, imports were to be 4% of domestic consumption. These imports were not allowed to go directly to consumers but had to be channelled into the processing industry. In 2005, Korea modified its rice tariff quota import commitments in the World Trade Organization (WTO) such that the amount of imports at the lower in-quota tariffs will increase over the next ten years to 8% of domestic consumption and of these imports 10%, rising to 30% could go into the retail sector. There are also some country quotas within the import amount. Rice imports have been increasing over the past five years from 95,000 tonnes (t) in 2000-2001 to 220,000 t in 2004-2005. Imported rice is steadily making up an increasing percentage of total consumption. At the same time, per capita rice consumption has decreased to 82 kilograms (kg) in 2004 from 120 kg in 1990. The decrease in rice consumption is due to an increase in consumption of instant food, processed meals and rice substitutes, including bread and noodles and children eating more fast food.

Cereal Grain

In 1994, almost 20% of Canada's total exports to South Korea consisted of cereal grains (wheat, oats, and rye). Ten years later, grains have dropped to 2%, due to increased competition from Australia, China and Ukraine. At the same time, the proportion of grains and other concentrates in the *Hanwoo* cattle feed rations is increasing, and the scale of feedlots, fattening purchased calves and culling of calves is growing.

Wheat

South Korea produces virtually no wheat. For 2004-2005, it imported 3.7 Mt of wheat, 60/40 for food/feed use. Imported milling wheat is used

SOUTH KOREA: WHEAT SUPPLY AND DISPOSITION

<i>crop year</i> <i>July-June</i>	2000 -2001	2001 -2002	2002 -2003	2003 -2004	2004 -2005	2005 -2006
Harvested Area (kha)	1	1	2	2	3	3
.....thousand tonnes.....						
Carry-in Stocks	1,050	1,050	1,100	985	958	943
Production	2	3	6	10	10	10
Imports	<u>3,127</u>	<u>3,979</u>	<u>4,052</u>	<u>3,434</u>	<u>3,700</u>	<u>3,700</u>
Total Supply	4,179	5,032	5,158	4,429	4,668	4,653
Exports	128	122	123	131	125	125
Feed	689	1,497	1,670	920	1,200	1,200
Other Domestic Consumption	<u>2,312</u>	<u>2,313</u>	<u>2,380</u>	<u>2,420</u>	<u>2,400</u>	<u>2,400</u>
Total Use	3,129	3,932	4,173	3,471	3,725	3,725
Carry out Stocks	1,050	1,100	985	958	943	928
Stocks-to-use ratio (%)	34	28	24	28	25	25

SOUTH KOREA: CORN SUPPLY AND DISPOSITION

<i>crop year</i> <i>October-September</i>	2000 -2001	2001 -2002	2002 -2003	2003 -2004	2004 -2005	2005 -2006
Harvested Area (kha)	16	14	17	17	18	19
.....thousand tonnes.....						
Carry-in Stocks	1,038	1,229	1,172	1,285	1,428	1,006
Production	64	57	73	70	78	80
Imports	<u>8,743</u>	<u>8,621</u>	<u>8,786</u>	<u>8,783</u>	<u>8,300</u>	<u>8,500</u>
Total Supply	9,845	9,907	10,031	10,138	9,806	9,586
Exports	-	-	-	-	-	-
Feed	6,460	6,584	6,569	6,602	6,700	6,800
Other Domestic Consumption	<u>2,156</u>	<u>2,151</u>	<u>2,177</u>	<u>2,108</u>	<u>2,100</u>	<u>2,100</u>
Total Use	8,616	8,735	8,746	8,710	8,800	8,900
Carry out Stocks	1,229	1,172	1,285	1,428	1,006	686
Stocks-to-use ratio (%)	14	13	15	16	11	8

SOUTH KOREA: BARLEY SUPPLY AND DISPOSITION

<i>crop year</i> <i>October-September</i>	2000 -2001	2001 -2002	2002 -2003	2003 -2004	2004 -2005	2005 -2006
Harvested Area (kha)	68	91	79	61	70	70
.....thousand tonnes.....						
Carry-in Stocks	-	-	-	-	-	-
Production	229	383	300	220	260	260
Imports	<u>85</u>	<u>102</u>	<u>65</u>	<u>67</u>	<u>100</u>	<u>100</u>
Total Supply	314	485	365	287	360	360
Exports	-	-	-	-	-	-
Feed	5	30	30	30	30	30
Other Domestic Consumption	<u>309</u>	<u>455</u>	<u>335</u>	<u>257</u>	<u>330</u>	<u>330</u>
Total Use	314	485	365	287	360	360
Carry out Stocks	-	-	-	-	-	-
Stocks-to-use ratio (%)	0	0	0	0	0	0

Source: USDA, PSD Official Statistics

for snacks, cakes, bread and noodles. Since feed wheat prices are expected to be attractive compared to corn prices, it is projected that feed wheat imports will increase in 2005-2006.

The export market is dominated by Australia and the US, at about 40% each, in 2004. Australian Soft White wheat is a low-protein wheat preferred for noodle production. Almost half of the imports from the US are also a soft white wheat, which is not a major class produced in Canada. Canada has not been, and is not expected to be, a dominant player in the market for milling wheat but South Korea is expected to continue to be an important market for Canadian spring wheat. The CWB has signed an agreement to sell 120 thousand tonnes (kt) of premium quality Canada Western Red Spring wheat to the Korean Flour Mills Industrial Association (KFIA) for delivery between November 1, 2005 and October 31, 2006. This is the first formal signed agreement between the CWB and KFIA.

South Korea has often been a market for Canadian feed wheat in years when, due to poor growing conditions, Canadian supplies of low quality wheat have been in surplus. Feed wheat exports from Canada increased significantly in 2004-2005.

Over the next ten years, the world wheat trade is projected by the United States Department of Agriculture (USDA) to increase by about 15% of which the Asia-Pacific region is expected to account for nearly 50%. Canada's ability to capture an increased share of this growing market will depend on the availability of the types of wheat demanded by this market. The new class of hard white spring wheat being produced in Canada is reported to have good noodle-making characteristics, and may help position Canada to increase its market share in the Asian noodle market.

Coarse Grains

Korean coarse grain production is quite small, and consists mainly of barley and corn. The quantity of coarse grains that South Korea imports has

increased slightly over the past five years.

Corn is the major feed grain, with very limited domestic production averaging about 75,000 t. Consumption of corn for livestock feed has averaged 6.7 Mt over the past 5 years, and has increased from under 2 Mt in the late 1970s to about 7 Mt in 2005. Compound feed production has grown in the last couple of years. Dairy cattle numbers have decreased, but production of compound feed for *Hanwoo* cattle and poultry is expected to increase, due to the ban on imports of Canadian and US beef. Corn imports are expected to remain stable at 8.5-9.0 Mt, with the US, China and Brazil the main competitors for the South Korean market. Small quantities of rye are also imported for feed. In 2004-2005, Canada exported 3,304 t of rye to South Korea.

Barley's prominence in South Korean agriculture is due to its close historical relationship with rice. In production, barley is double cropped with rice during the short winter season. In consumption, pearled barley is used as an affordable rice extender: kernels are split, rolled and blended with the more expensive rice to reduce the cost of the product. Barley production averages about 0.25 Mt, most of which is used for human food. The largest exporter of malt (not roasted) barley to South Korea is Australia.

Malt

In 2004, Canada exported almost 22 kt of malt to South Korea. South Korea was Canada's fifth largest market for this product.

Beer consumption in South Korea increased by 2.9% per year over the 1998-2003 period to 27.2 million hectolitres. Per capita beer consumption was about 45 litres (L) in 2003, slightly higher than Japan but low compared to about 84 L in the US.

Oilseeds and products

Over the next 3 to 5 years, the South Korean oilseed market is expected to grow at a rate of 3-5% a year. The import market is dominated by soybeans, with virtually no canola or canola oil imported.

Soybeans

South Korea relies almost completely on oilseed imports. Soybean area and production levels are expected to remain small and stable in South Korea. Currently 85% of soybeans that are manufactured into soy products come from the US.

In 2002, the government initiated a rice area reduction program which included a favourable government purchase price for soybeans that are grown on former rice paddies. In the marketing year 2004-2005, soybean area increased to 85.3 thousand hectares (kha), by 6% from last year. It is projected that in 2005-2006, soybean area will increase to about 86.5 kha.

Total soybean imports are expected to increase to 1.6 Mt in 2005-2006 from 1.5 Mt in 2004-2005. The growth of imports has been due to the improving financial environment in the crushing industry. Over 80% of imported soybeans are processed into meal and oil and 20% is used by the food-processing sector. The Shin Dong Bang Corporation is building a new vegetable oil refinery which will have the capacity to refine 150 t per day of crude soybean oil and is expected to open in the second half of 2005.

Soymeal

Production of soymeal is expected to gradually increase in both 2004-2005 and 2005-2006. This is due to an anticipated increased demand from the feed industry and improved crushing margins. It is forecast that imports of soymeal will be 1.40 Mt in the 2005-2006 market year, which is up from 1.35 Mt in 2004-2005. Since 1999-2000, soymeal extraction rates have decreased to 75% from 79% because crushers have increased the production of dehulled soybean meal.

Pulse Crops

Pulse Canada has targeted South Korea as a market for feed peas. In December 2003, South Korea reduced the import tariff rate from 27% to 2% on a tariff rate quota (TRQ) of 160 kt for feed peas. In February 2004, the TRQ was increased to 450 kt but was reduced to 105 kt in 2005.

Currently, Canada is not a large exporter of pulse crops to South Korea, but there is an opportunity to export more feed peas, since feed peas are competitive with lupins and other feed ingredients.

Last year, Canada exported 1 kt of feed peas to South Korea and only 270 t made it through inspection. The rest was rejected, due to South Korean inspectors finding some straw in the peas, which they felt could be a carrier for Hessian flies. Currently the National Quarantine Services in South Korea and the Canadian Food Inspection Agency are working on a fumigating protocol. Until this protocol is accepted, exporters will be hesitant to sell feed peas to South Korea for fear of having it rejected.

In 2003, Canada exported 2,440 t of beans and 609 t of peas to South Korea and in 2004, 2,060 t of beans, 172 t of lentils and 1,552 t of peas were exported. For 2005-2006 it is forecast that Canada's exports of beans and lentils will be higher than 2004-2005 levels. Canada exports broad beans and fababeans to South Korea.

POLICY ENVIRONMENT

South Korea has one of the most protected agriculture economies in the world. The government's trade policies have imposed strong import barriers and have strongly supported farm prices and production of certain commodities. Producers are supported by high prices resulting from government purchases and high tariffs, import quotas and minimum market access agreements that protect domestic producers from import competition. Non-governmental organizations and consumer groups play an influential role in government farm policy.

PRODUCER SUPPORT ESTIMATE: COMPARISON BY COUNTRY

	1999	2000	2001	2002	2003
.....percent of value of gross farm receipts.....					
Australia	5.35	4.33	3.41	4.21	4.07
US	25.62	22.16	22.95	18.94	17.98
Canada	17.90	18.61	17.11	19.57	21.27
EU 15	39.67	34.44	33.86	35.16	37.36
Japan	60.39	60.15	59.14	57.26	57.63
South Korea	65.84	66.73	62.80	68.61	60.48
<i>OECD Average</i>	<i>35.64</i>	<i>32.45</i>	<i>30.72</i>	<i>31.21</i>	<i>31.71</i>
Source: OECD					

Domestic Policy

South Korean agricultural policy has two major goals, which are self-sufficiency and parity between farm and urban household incomes. To achieve these goals, the government uses strong producer price incentives and import barriers. Domestic production of rice, barley, corn, soybeans and tobacco are subsidized, with import barriers to protect rice, barley, vegetable, fruit and livestock farming. South Korea does not currently provide export subsidies for agriculture.

Rice is central to South Korea's agricultural policy, with the government affecting prices and producer income by purchasing a large amount of total rice production. Prior the Uruguay Round Agreement on Agriculture (URAA), the government of South Korea promoted a policy of self-sufficiency in rice designed to increase production and reduce consumption. Producer prices were supported by minimizing imports of rice.

Consumption of rice was reduced by making it mandatory to blend barley and wheat with rice. Most processing uses of rice were forbidden. Between the years 1990 and 1997, the average amount of rice purchased was 26%. This comes at a high cost to the budget and taxpayers. Since 1995, South

Korea's Aggregate Measure of Support commitment to the WTO, has limited these subsidies and government rice purchases dropped to 17% of year 2000 production.

Support Programs

In South Korea, support programs that are linked to either current outputs or inputs are above 90%.

The producer support estimate (PSE) is at 63% versus the 30% average of the OECD in the period 2002-2004. The PSE as a percent of the gross value of farm receipts averaged about 60% in South Korea, slightly higher than Japan, but significantly higher than Canada and the US which averaged 21% and 18%, respectively.

South Korea's PSE increased to US\$19.8G in 2004 from \$17.3G in 2003. The majority of the PSE subsidies were government purchases of mandatory import quotas on key goods such as rice. This prevented the opening up of its market fully to outside competition. Direct support for farmers accounted for about 10% of the PSE. The PSE for rice is 76% and 89% for beans. With government programs supporting producers, the consumer support estimate is always negative. This represents an implicit tax on consumers.

SOUTH KOREA: ADJUSTMENT TARIFF FOR 2005 CROP YEAR

Commodity	General Tariff (percent) ^{1/}	Quota Tariff Rate	
		2004	2005
Wheat for feed	3	0	0
Wheat for milling	3	1	1
Malting Barley	30	15	15
Unhulled barley for feed	5	2	2
Maize for feed	5(3) ^{2/}	0	0
Maize for process	5(3) ^{2/}	1	1
Malt	30	15	10
Soybeans	5(3) ^{2/}	0	0

^{1/} Basic Tariff Rate

^{2/} The number in parentheses is a temporary rate superseding the listed base rate.

Source: USDA-Foreign Agricultural Service

TRADE

South Korea has a strategic interest in multilateralism to offset its dependency on immediate neighbours, i.e. China and Japan. South Korea became a member of the WTO in 1995 and a member of the Organization for Economic Co-operation and Development (OECD) in 1996.

South Korea has a "developing nation" status within the WTO. Tariff rates of 665% on imports of rice, 342% for barley and 346% for corn are currently in place. The government fears that the domestic farming industry could collapse if its markets were opened to lower priced imports.

Tariffs

Tariffs vary from product to product and tend to be higher for products that can displace domestic production and lower for products which are not produced locally in significant volumes. To keep the livestock and flour milling sectors in operation, South Korea has to import large quantities of wheat, feed grains and soybeans. In general, tariffs are higher for basic commodity products while processed; consumer-oriented products are subject to lower tariffs.

South Korea's basic position on the Doha Development Agenda (DDA) is to gradually lower agricultural tariffs and subsidies. In exchange, Korea would like the global community to be more flexible in expanding the scope of "sensitive and special" products. Rice is considered a sensitive product.

South Korea imposes tariff rates in the range of 30% to 100% on many agriculture products plus a flat 10% value added tax that it imposes on all imports. There are TRQ which provide minimal access on certain products but the rate for over quota quantities makes the cost of imports prohibitive. The over-quota tariff rate for feed barley is 327.6% and malting barley is 534%. South Korea also has discriminatory tariffs. The tariff on soybeans is 5% but 20% for canola. There are many markets in Asia that apply much higher tariffs to **dried peas**

for livestock feed than for competing products like soybean meal and corn meal. South Korea tends to apply higher tariffs on more value-added products. Since it is more cost effective to import soybeans and crush them, this leads to a lost opportunity of approximately \$70M for the Canadian industry.

Trade Agreements with South Korea
Korea currently has an FTA with each of Chile, Singapore and the European Free Trade Association (comprising of Iceland, Norway, Liechtenstein and Switzerland). South Korea is currently negotiating bilateral and FTA agreements with: Israel, US, China, Association of Southeast Asian Nations, Japan, Brazil, India, Malaysia, and Philippines. The most important trilateral agreement is with Japan and China.

In January and March 2005, Canada and South Korea held preliminary exploratory discussions on the possibility of an FTA. Canada and South Korea held the first round of FTA negotiations on July 28, 2005, with a second round scheduled for the last week of September, 2005. Canada is seeking a comprehensive FTA, which has the potential to deliver significant commercial benefits across a wide range of the Canadian economy – from agriculture to high-tech services to investment. In addition to increasing bilateral trade and investment, an FTA with South Korea would serve as a "gateway" into the dynamic Northeast Asian region.

South Korea is hosting the Asia-Pacific Economic Corporation (APEC) conference in 2005. There is a series of Ministerial meetings throughout the year, culminating in an APEC Heads of Government conference in November.

Trade Potential for Canada

Expansion of the livestock industry in South Korea will require increased imports of feed. Canada could look at increasing soybean exports and try to get canola meal into the market.

Higher beer consumption is also expected to lead to increased demand for malt and/or malting barley. The agreement between the CWB and KFIA could lead to further contracts to export premium quality wheat to South Korea.

An FTA will not affect pea exports at the present time due to the feed peas that were rejected. Once Canada and South Korea have reached an agreement on a fumigating protocol, feed pea exports may increase. Bean exports have been increasing over the past years, and it is expected that this trend will continue.

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SUNFLOWER SEED: SITUATION AND OUTLOOK

Canada is a major producer of confectionery sunflower seed, although Canadian production of oil sunflower seed is relatively small. There is a large value added sunflower seed processing industry in western Canada, which includes a human food market, snacks and kernels, as well as a bird seed market. The value of Canadian exports averaged at about \$50 million during the past five years. For 2005-2006, Canadian production is forecast to increase from the small, weather damaged crop of 2004-2005, and the average seed quality is expected to return to normal.

WORLD

Production and Trade

World sunflower seed production has been variable during the past ten years, ranging from a low of 21.4 million tonnes (Mt) in 2001-2002 to a high of 27.3 Mt in 1999-2000, but there has been no upward or downward trend. There are two types of sunflower seed produced, oilseed and confectionery. About 95% of world production is the oilseed type and only 5% the confectionery type.

Sunflower seed exports have been variable, in line with the variability in production, ranging from 1.32 to 2.74 Mt during the past four years. Exports are relatively dispersed, with the top 10 countries accounting for about 95% of exports. The European Union (EU) accounts for most of the imports, with Turkey, United States (US), Mexico and Pakistan accounting for most of the balance. The US and Canada are the main exporters of confectionery sunflower seeds, with the EU and Mexico being the main destinations, excluding trade between Canada and the US.

CANADA

Production

Sunflowers grow best on loam, silty loam, and silty clay loam soils with good drainage. They have a low tolerance for saline conditions; therefore soils with moderate to high levels of

salinity should be avoided. Sunflowers have a deep tap root that can obtain water and nutrients 1.5-1.8 metres (5-6 feet) deep in the soil. These reserves of water and nutrients are unavailable to most other annual crops, making sunflowers a good rotational crop. Sunflowers should be seeded as early as possible, usually in the first half of May, since they require 115-125 days to reach maturity.

Canadian sunflower seed production fell sharply in the mid-1990s when crushing ended in Canada. However, production has been trending upwards since 1998-1999 with most of the increase for the confectionery type, which has become the main type produced. Manitoba accounts for most of the production, followed by Saskatchewan, Alberta and Ontario. The main producing areas are south-central Manitoba, south-western Manitoba and south-eastern Saskatchewan. The Canadian sunflower seed harvest occurs mainly in October.

NuSun

NuSun is a mid-oleic (monounsaturated fatty acid) sunflower seed which has a low saturated fat profile. The oleic acid content of NuSun oil is about 65% compared to 16% for traditional sunflower oil, this compares well with 61% for canola oil and 23% for soybean oil. Oil produced from NuSun hybrids contains about 65% monounsaturated fat, 26% polyunsaturated fat and 9% saturated fat, which is considered to be the optimum fat balance under current dietary fat recommendations. The 72% linoleic acid content of oil from traditional hybrids has been reduced to 26%, which means that hydrogenation, bubbling hydrogen into the oil, is not necessary for oil produced from NuSun hybrids. Since there is no hydrogenation, there is no formation of trans fatty acids. The high oleic acid and low

WORLD: SUNFLOWER SEED SUPPLY AND DISPOSITION

	2001 -2002	2002 -2003	2003 -2004	2004 -2005p	2005 -2006f
Harvested Area (kha)	19,220	20,230	22,710	21,420	22,819
Average Yields (t/ha)	1.11	1.18	1.17	1.20	1.20
.....thousand tonnes.....					
Carry-in Stocks	883	792	1,337	1,605	1,538
Production:					
Russia	2,670	3,685	4,850	4,750	5,100
Ukraine	2,251	3,270	4,252	3,050	4,000
Argentina	3,844	3,700	3,240	3,600	3,900
European Union	3,836	3,713	4,035	4,181	3,515
India	1,450	1,625	1,700	1,750	1,850
China	1,478	1,946	1,743	1,690	1,780
United States	1,551	1,112	1,209	929	1,534
Romania	744	890	1,400	1,425	1,300
Bulgaria	392	580	720	850	850
South Africa	930	642	651	665	700
Turkey	520	820	600	650	670
Canada*	104	157	150	54	106
Other	1,599	1,817	2,130	2,177	2,114
Total Production	21,369	23,957	26,680	25,771	27,419
Total Supply	22,252	24,749	28,017	27,376	28,957
Total Use	21,460	23,412	26,412	25,838	27,360
Carry-out Stocks	792	1,337	1,605	1,538	1,597
Stocks-to-use ratio (%)	4%	6%	6%	6%	6%

p: preliminary

f: forecast, USDA; except * which is AAFC - September 2005

Source: USDA, except * which is Statistics Canada - September 2005

US FARM SECURITY AND RURAL INVESTMENT ACT OF 2002 (FSRIA)

Under the FSRIA, for crop years 2004-2007, the loan rate is US\$0.093/lb, based on prices for the oilseed type, compared to US\$0.096/lb for 2002 and 2003. These rates are for the top grade and there are discounts for lower quality seed. The loan rate varies by county. The loan rate provides a floor return because if the price is lower than the loan rate, the producer is eligible for a loan deficiency payment (LDP). Since the LDP for the confectionery type is the same as for the oilseed type, the confectionery type prices are not used in determining the LDP. Sunflower seed is also eligible for the minor oilseeds **direct payment** of US\$0.008/lb. However, this is based on historical seeded area and yields, and is theoretically decoupled from the area seeded during the year of the payout. Sunflower seed is eligible for the minor oilseeds **counter-cyclical payments** (CCP) based on the target price of US\$0.098/lb for crop years 2002 and 2003, and US\$0.101/lb for crop years 2004 to 2007. However, in calculating the CCP, the direct payment is first deducted from the target price. Therefore, since the target price minus the direct payment is less or equal to the loan rate or market price, no counter cyclical payment is expected for sunflower seed.

LDP's under FSRIA have been relatively small because prices have generally been higher than the loan rate. Therefore, the main benefit of the loan program has been that it provides a floor return, which supports sunflower seed planting especially in years when prices of alternative crops are low. The support for higher planting contributes to higher supply, which pressures Canadian prices downward.

saturated fat profile is believed to lower cholesterol and the risk of coronary heart disease

There are several advantages to NuSun oil. First, the costs of hydrogenation are avoided since it holds up longer in frying vats without flavour deterioration. Second, trans fatty acids, which are considered to be unhealthy, are not present because there is no hydrogenation. Third, end user costs are lower since it is not necessary to replace the oil as frequently during frying as with other vegetable oils. Finally, at frying temperatures, NuSun oil produces more flavour-stable snack food.

Commercial production of NuSun hybrids started in the US in 1998 and has increased significantly since then to meet market demand. The development of NuSun has shifted sunflower oil use in the US to domestic markets from export markets. NuSun hybrids are also produced in Canada.

Sunola and Sunwheat

Shorter season oilseed type varieties have been developed for areas where the traditional hybrids cannot be grown. They have the further advantage of being able to be sown and harvested with the same equipment as cereal grains or canola, whereas the traditional hybrids require specialized equipment.

Sunola is a miniature, open pollinated sunflower, which requires 99-103 days to maturity. The oil content is equal to sunflower hybrids.

Sunwheat is a dwarf hybrid sunflower and requires 100-110 days to maturity. Its oil content is slightly lower than Sunola. It is more suited to the arid areas and able to withstand periods of summer heat

better than some other crops. Both Sunola and Sunwheat have lower yields than traditional hybrids.

Marketing

Sunflower seed is sold on the open market to dealers located mostly in Manitoba. Sunflower seed is shipped bulk in trucks or rail cars. Some sunflower seed is grown under production contracts which guarantee a price for part of the production.

The Canadian Special Crops Association (CSCA) (www.specialcrops.mb.ca) establishes trade rules for domestic trade and serves as a forum for exporters, dealers and brokers involved in the industry of trading Canada's pulse and special crops, including sunflower seed. The website includes a section where buyers can submit a request for prices.

The Canadian Grain Commission (CGC) administers quality control standards for sunflower seed. There are two grades for each type of sunflower seed. In addition, sunflower seed can be graded "Sample" if it does not meet the specifications for the two grades. For further information, or to access the Official Grain Grading Guide, please visit the CGC website: (www.grainscanada.gc.ca)

Use

The majority of the oil sunflower seeds in the world are crushed after the hull is removed. The hull represents about 15% of the sunflower seed weight. Dehulled seed yields 45-50% oil and 50-55% meal. The oil is used for frying or to produce salad dressing, shortening and margarine. The mid and high oleic hybrids produce oil for specialized markets. The meal is used as a protein supplement in livestock feed and usually contains about 35% protein. The hulls are used mostly for livestock bedding, with some used as a source of fibre for cattle feed. Use of oil sunflower seed by the bird seed industry is growing. In Canada, the majority of the oilseed type seed is used by the bird seed industry.

Confectionery type sunflower seeds are used in the snack food industry as roasted sunflower seeds and dehulled

WORLD: SUNFLOWER SEED EXPORTS

	2001 -2002	2002 -2003	2003 -2004	2004 -2005p	2005 -2006f
.....thousand tonnes.....					
Ukraine	95	338	950	50	560
Romania	101	168	470	425	400
Russia	18	185	310	200	380
Bulgaria	109	291	318	320	300
Argentina	356	213	46	130	175
US	235	166	170	151	164
Uruguay	135	195	135	145	155
China	30	61	74	110	60
Canada*	92	105	96	32	60
EU	52	28	63	48	47
Other	100	78	112	95	76
Total	1,323	1,828	2,744	1,706	2,377

WORLD: SUNFLOWER SEED IMPORTS

	2001 -2002	2002 -2003	2003 -2004	2004 -2005p	2005 -2006f
.....thousand tonnes.....					
EU	868	1,002	1,442	710	1,516
Turkey	165	229	660	525	400
US	76	98	90	40	77
Mexico	10	104	38	25	35
Pakistan	0	80	136	10	15
Other	101	278	346	205	177
Total	1,220	1,711	2,576	1,515	2,205

p: preliminary

f: forecast, USDA; except * which is AAFC – Sep. 2005

Source: USDA, except * which is Statistics Canada – Sep. 2005

for use in snack food and baking. Sunflower seeds are high in protein, calcium, phosphorous, iron, potassium, and vitamin E. The sunflower seed snacks are usually lightly coated in salt or spices. Some confectionery sunflower seeds are also used for bird seed.

Less frequently, sunflower seeds are used for cattle feed. Usually damaged seed is used, but good quality seed is sometimes used in dairy cattle rations.

Canadian domestic use, which includes food, feed, seed, dockage and waste, has been trending upwards in line with the growth in production and domestic processing. Since 1995, sunflower seeds have not been crushed in Canada, but the crush use has been replaced by increased processing of confectionery sunflower seed and increased use for bird seed. The markets for in-shell snack food, dehulled snack food, baking and bird seed have increased significantly.

Exports

The majority of Canadian sunflower seeds exports are to the US, with the balance going mostly to Europe, Latin America, the Middle East and northern Africa. Exports to the US are both oilseed and confectionery types, while exports to other parts of the world are mainly the confectionery type. In addition to the seed, prepackaged snack food, dehulled sunflower seed and bird seed are also exported.

Prices

In general, Canadian sunflower seed prices follow US prices adjusted by exchange rates. Oilseed sunflower prices are affected by the supply and demand factors for vegetable oil and protein meal. Confectionery sunflower seed prices depend on supply and demand conditions in the confectionery market. Bird seed sunflower prices mostly follow the prices of the oilseed type. Top grade prices of both confectionery and oilseed types increased in 2004-2005, as compared to 2003-2004, with the sharpest increase for the confectionery type.

In general, the top grade seed available was carried over from 2003-2004, as the quality of the 2004-2005 seed was damaged by wet weather, frost and disease, especially for the confectionery type.

OUTLOOK: 2005-2006

World

Total world sunflower seed production and supply are forecast to increase by 6% to 27.4 Mt and 29.0 Mt, respectively. Total use is expected to increase due to the higher supply and stronger demand, and carry-out stocks are forecast to increase only slightly, with the stocks-to-use ratio remaining at 6%.

United States

US sunflower seed production is forecast to increase by 65% to 1.53 Mt, because of an increase in seeded area, lower abandonment and higher yields. Total supply is forecast to increase by 49% to 1.62 Mt, due to lower carry-in stocks. Oil sunflower seed production is forecast to increase by 58% to 1.26 Mt and supply to increase by 43% to 1.32 Mt. Confectionery sunflower seed production is forecast to

double to 274,000 t and supply to increase by 83% to 299,000 t.

Canada

Canadian sunflower seed production is forecast to more than double to 106,000 tonnes (t) due to an increase in seeded area, lower abandonment and higher yields. Average quality is expected to return to normal. Oilseed type production is forecast to nearly double to 32,000 t, while confectionery type production is forecast to more than double to 74,000 t. Total supply is forecast to grow by 35% to 154,000 t, due to lower carry-in stocks. Exports and domestic use are expected to increase, due to higher supply and strong demand. Carry-out stocks are forecast to increase to 20,000 t, with a stocks-to-use ratio of 15%.

CANADA: SUNFLOWER SEED SUPPLY AND DISPOSITION

<i>August-July crop year</i>	2001 -2002	2002 -2003	2003 -2004	2004 -2005p	2005 -2006f
Seeded Area (kha)	73	100	119	87	98
Harvested Area (kha)	67	95	115	59	81
Yield (t/ha)	1.55	1.65	1.30	0.92	1.31
.....thousand tonnes.....					
Carry-in stocks	46	22	35	25	18
Production:					
Confectionery	80	110	82	35	74
Oilseed	<u>24</u>	<u>47</u>	<u>68</u>	<u>19</u>	<u>32</u>
Total Production	104	157	150	54	106
Imports	29	21	16	35	30
Total Supply	179	200	201	114	154
Exports:					
US	77	91	84	27	50
Europe	4	3	4	1	3
Central and South America	4	3	3	3	4
Middle East and Africa	6	6	4	1	2
Asia and Oceania	<u>1</u>	<u>2</u>	<u>1</u>	<u>0</u>	<u>1</u>
Total Exports	92	105	96	32	60
Total Domestic Use	65	60	80	64	74
Total Use	157	165	176	96	134
Carry-out Stocks	22	35	25	18	20
Stocks-to-use ratio (%)	14%	21%	14%	19%	15%
Harvested Area (kac)	166	235	284	146	200
Yield (lb/ac)	1,385	1,474	1,164	817	1,169
Average producer price*					
Oilseed \$/t	342	419	331	375	331
\$/lb	15.5	19.0	15.0	17.0	15.0
Confectionery \$/t	375	463	375	661	419
\$/lb	17.0	21.0	17.0	30.0	19.0

* Manitoba, No.1 Canada grade

p: preliminary

f: forecast, Agriculture and Agri-Food Canada, September 2005

Source: Statistics Canada and AAFC

Total Canada and United States

Oil sunflower seed production is forecast to increase by 58% to 1.29 Mt and supply to increase by 42% to 1.36 Mt. Confectionery sunflower seed production is forecast to more than double to 348,000 t and supply to increase by 80% to 383,000 t.

Prices

For both types, the average Canadian price is forecast to decrease from 2004-2005 due to higher supply.

OUTLOOK: CANADA LONGER TERM

Production of confectionery sunflower seed is expected to grow moderately in line with the growth in demand. Sunflower seed is

considered to be healthy food and the industry has been developing new products, such as spreads and snacks made from sunflower seed kernels, which are expected to increase demand.

Oil sunflower seed production is also expected to grow, but the rate of increase will depend on the price of vegetable oil as well as the growth in demand for bird seed. An additional factor is the growth in demand for NuSun. A continuing strong increase in demand for NuSun oil and attractive prices could result in a faster increase in Canadian oil sunflower seed production and possibly a return to sunflower seed crushing in Canada.

The demand for NuSun oil is expected to continue growing especially in the snack food market and the fast food industry, as well as in the salad and home use markets. The trend to labeling regulations which list the amount of trans fatty acids will contribute to the growth in demand.

Research is underway to develop hybrids that are tolerant to *sclerotinia*, the most devastating disease of sunflowers. Sclerotinia tolerant hybrids would decrease the risk of producing sunflower seed and improve producers' financial returns.

For periodic updates on the situation and outlook for sunflower seed, visit the Market Analysis Division Website for "Canada: Pulse and Special Crops Situation and Outlook."

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UNITED STATES AND CANADA: TOTAL OIL SUNFLOWER SEED SUPPLY AND DISPOSITION

	2001 -2002	2002 -2003	2003 -2004	2004 -2005p	2005 -2006f
	.....thousand tonnes.....				
Carry-in stocks	91	52	168	140	68
Production:					
United States	1,272	937	1,025	799	1,260
Canada	24	47	68	19	32
Total Production	1,296	984	1,093	818	1,292
Total Supply	1,387	1,036	1,261	958	1,360
Total Use	1,335	868	1,121	890	1,250
Carry-out Stocks	52	168	140	68	110
Stocks-to-use ratio (%)	4%	19%	12%	9%	9%

UNITED STATES AND CANADA: TOTAL CONFECTIONERY SUNFLOWER SEED SUPPLY AND DISPOSITION

	2001 -2002	2002 -2003	2003 -2004	2004 -2005p	2005 -2006f
	.....thousand tonnes.....				
Carry-in stocks	111	79	66	48	35
Production:					
United States	279	175	184	130	274
Canada	80	110	82	35	74
Total Production	359	285	266	165	348
Total Supply	470	364	332	213	383
Total Use	391	298	284	178	314
Carry-out Stocks	79	66	48	35	69
Stocks-to-use ratio (%)	20%	22%	17%	20%	22%

Excludes imports as US imports are mainly from Canada and Canadian imports are mainly from the US.

p: preliminary

f: forecast, USDA and AAFC – September 2005

Source: USDA, Statistics Canada and AAFC – September 2005

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CANADA: GRAINS AND OILSEEDS OUTLOOK

September 20, 2005

Statistics Canada's "Stocks of Canadian Grain at July 31, 2005" report indicated that carry-in stocks of the major Canadian grains and oilseeds (G&O) for 2005-06 are almost 50% higher than for 2004-05. As a result, the total supply of G&O for 2005-06 is about 4% above last year, although production is estimated to decrease to 62 million tonnes (Mt) from 64 Mt last year.

The pace of harvest in western Canada is behind normal due to untimely rains, particularly in Saskatchewan and Alberta, where harvest progress is well behind normal. The delay caused by rain may reduce the quality of the crop, but the average quality of the crop in western Canada is expected to be better than last year's poor quality crop. Protein levels are expected to be below average which is a negative factor for wheat and durum but is positive for malting barley selection rates.

Generally, world prices for G&O are forecast to decline and prices in Canada will be further pressured by the strong Canadian dollar. The major factors to watch are: harvest conditions in Canada and the US, import demand from China, EU export policy, ocean freight rates and exchange rates.

WHEAT (ex-durum)

For 2005-06, carry-in stocks increased by 27% from 2004-05, to 5.5 Mt. A significant portion of which is stored on-farm because low feed wheat prices discouraged farmers from marketing all of their low quality wheat in 2004-05. Total supply for 2005-06 is down only marginally, despite an estimated 6% decline in production. Feed use is forecast to remain higher than normal because of the large supplies of low quality wheat carried over from 2004-05. Exports are forecast to rise by 14%, assuming increased supplies of high quality wheat. Carry-out stocks are forecast to decline by 18%. The Canadian Wheat Board (CWB) August Pool Return Outlook (PRO) is below 2004-05 for high quality wheat, but flat to slightly higher for lower quality wheat.

DURUM

Carry-in stocks increased by about 40% from 2004-05 to 2.5 Mt, with 1.0 Mt on-farm. Production is estimated to rise slightly, so that total supply is expected to rise by 13% to a record 7.6 Mt. Exports are forecast to increase, assuming adequate supplies of good quality durum, mainly due to increased import demand resulting from reduced production in North Africa and southern Europe. However, carry-out stocks are projected to rise for the 4th consecutive year, to a record 3.0 Mt. The CWB 2005-06 PRO is below 2004-05 for all grades, due to higher North American supplies.

BARLEY

Carry-in stocks increased by about 66% from 2004-05 to 3.5 Mt, as a result of large production of low-quality barley and lower exports in 2004-05. Although production is estimated to fall from 2004-05, total supply is up by 3%. Exports are expected to rise significantly, due to higher exportable supplies of malting barley in Canada and less competition in overseas markets. Carry-out stocks are expected to drop significantly. The off-Board feed barley price is forecast to rise

slightly. Malting barley export prices will be pressured by the strength in Canadian dollar and improved world supplies, with the CWB PRO for Special Select 2-Row down by \$6/t from 2004-05 to \$172/t.

OATS

Carry-in stocks increased by 25% due to higher supplies in 2004-05. Production is estimated to increase slightly, as higher harvested area more than offsets lower yields. Total supply is, therefore, expected to rise by 5%. Exports are expected to increase slightly from 2004-05 due to improved crop quality but will be pressured by high EU export subsidies on oats. Carry-out stocks are expected to decrease. Feed oats prices are forecast to be similar to 2004-05, with a reduced premium for milling oats.

CORN

Carry-in stocks, as estimated by AAFC, are marginally below 2004-05 due to lower supplies in 2004-05. Production in 2005-06 is estimated to decline by 6%, due mainly to lower yields. This is expected to result in a significant increase in US corn imports, mainly to eastern Canada. Shipments of feed wheat and barley from western to eastern Canada are expected to decrease. Feed use is forecast to decline slightly. Food and industrial use is forecast to rise slightly, driven by higher ethanol production. The average Chatham price is forecast to increase due to tight supplies and a stronger Chicago-Chatham spread.

CANOLA

Carry-in stocks nearly tripled from 2004-05 to 1.6 Mt due to increased supply. Production is estimated to rise by 8%, with total supply expected to increase by 20%. Domestic crush and exports are forecast to rise by only 6% and 11% respectively, due to large supplies of palm oil and soybeans in competing countries. Carry-out stocks are forecast to increase sharply, to a record 2.5 Mt. The average price is forecast to

decrease due to pressure from burdensome carry-out stocks, low US soyoil prices and the high Canadian dollar.

FLAXSEED (excluding solin)

Carry-in stocks decreased by 68% to a record low due to the sharp drop in output and strong pace of exports. Production is estimated to increase by 102% to the highest level since 1998-99, due to a sharp rise in seeded area and expected yields. Total supply is expected to rise by 69%. Exports are forecast to increase sharply due to strong EU demand, increased domestic supply and sharply higher crude oil prices. Carry-out stocks are expected to rise sharply, but are not considered to be burdensome. The average 2005-06 price is expected to decline.

SOYBEANS

Carry-in stocks, as estimated by AAFC, are significantly higher than 2004-05 mainly because production was a record high. As a result, domestic supply is expected to increase by about 7% despite a slight decrease in production. Total domestic use is expected to rise by 5%, to a near record level. Exports are forecast to remain stable at a record high 1.0 Mt, despite competition from large US and South American supplies. The average Chatham price is forecast to decrease due to lower US soybean prices.

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CANADA: GRAINS AND OILSEEDS SUPPLY AND DISPOSITION

September 20, 2005

Grain and Crop Year	Area		Yield	Production	Imports	Total	Exports	Food & Industrial Use (e)	Feed, Waste & Dockage	Total Domestic Use (d)	Carry-out Stocks	Average Price (f)
(a)	Seeded	Harvested	t/ha		(b)	Supply	(c)	(e)		(d)		(f)
	-----000 ha-----											
thousand metric tonnes												
Durum												
2003-2004	2,483	2,459	1.74	4,280	1	5,900	3,427	252	219	683	1,789	224.21
2004-2005P	2,230	2,141	2.32	4,962	1	6,752	3,218	240	555	1,013	2,521	199 *
2005-2006F	2,280	2,232	2.28	5,083	1	7,605	3,600	250	565	1,005	3,000	191 **
Wheat Except Durum												
2003-2004	8,179	8,009	2.41	19,272	16	23,395	12,299	2,775	3,223	6,805	4,291	206.03
2004-2005P	8,169	7,722	2.71	20,898	13	25,203	11,586	2,718	4,641	8,145	5,471	187 *
2005-2006F	7,742	7,530	2.61	19,633	10	25,114	13,200	2,750	3,775	7,414	4,500	184 **
All Wheat												
2003-2004	10,662	10,467	2.25	23,552	18	29,295	15,727	3,027	3,442	7,488	6,080	
2004-2005P	10,339	9,862	2.62	25,860	14	31,955	14,805	2,958	5,197	9,158	7,992	
2005-2006F	10,022	9,762	2.53	24,716	11	32,719	16,800	3,000	4,340	8,419	7,500	
Barley												
2003-2004	5,046	4,446	2.77	12,328	36	13,838	2,445	298	8,579	9,291	2,102	135.8
2004-2005P	4,678	4,050	3.26	13,186	82	15,371	1,862	213	9,400	10,019	3,489	112.15
2005-2006F	4,520	3,915	3.16	12,358	30	15,877	2,500	360	10,127	10,877	2,500	105-125
Corn												
2003-2004	1,265	1,226	7.82	9,587	2,108	12,805	346	2,415	8,890	11,317	1,143	137.18
2004-2005P	1,185	1,072	8.24	8,836	2,400	12,378	150	2,650	8,463	11,128	1,100	100.68
2005-2006F	1,121	1,072	7.74	8,297	2,800	12,197	150	2,700	8,332	11,047	1,000	100-120
Oats												
2003-2004	2,272	1,575	2.34	3,691	19	4,234	1,557	140	1,581	1,888	788	136.65
2004-2005P	1,995	1,315	2.80	3,683	26	4,497	1,672	91	1,575	1,837	988	130.68
2005-2006F	1,955	1,418	2.63	3,731	15	4,734	1,700	170	1,794	2,134	900	120-140
Rye												
2003-2004	246	147	2.22	327	0	352	172	47	47	112	68	104.44
2004-2005P	284	165	2.53	418	1	487	122	48	155	220	145	70-80
2005-2006F	218	159	2.39	380	1	526	150	48	161	226	150	70-90
Mixed Grains												
2003-2004	241	135	2.84	384	0	384	0	0	384	384		
2004-2005P	220	111	2.87	318	0	318	0	0	318	318		
2005-2006F	219	120	2.62	314	0	314	0	0	314	314		
Total Coarse Grains												
2003-2004	9,070	7,529	3.50	26,317	2,162	31,613	4,520	2,899	19,482	22,993	4,101	
2004-2005P	8,362	6,713	3.94	26,441	2,509	33,051	3,806	3,003	19,912	23,522	5,722	
2005-2006F	8,031	6,684	3.75	25,080	2,846	33,648	4,500	3,278	20,728	24,598	4,550	
Canola												
2003-2004	4,736	4,689	1.44	6,771	243	7,908	3,754	3,390	113	3,545	609	387.04
2004-2005P	5,319	4,938	1.57	7,728	108	8,444	3,412	3,031	327	3,403	1,629	309.15
2005-2006F	5,485	5,214	1.60	8,325	150	10,104	3,800	3,200	559	3,804	2,500	270-310
Flaxseed												
2003-2004	745	728	1.04	754	20	903	609	n/a	n/a	202	93	382.13
2004-2005P	728	528	0.98	517	39	648	468	n/a	n/a	151	30	n/a
2005-2006F	844	809	1.29	1,044	20	1,094	700	n/a	n/a	244	150	310-350
Soybeans												
2003-2004	1,051	1,047	2.17	2,268	587	3,000	914	1,500 ^{1/}	319	1,947	140	395.04
2004-2005P	1,229	1,178	2.59	3,048	450	3,638	1,000	1,580 ^{1/}	488	2,193	445	248
2005-2006F	1,176	1,158	2.56	2,963	250	3,657	1,000	1,750 ^{1/}	447	2,307	350	220-260
Total Oilseeds												
2003-2004	6,531	6,464	1.52	9,794	850	11,811	5,277	n/a	n/a	5,693	841	
2004-2005P	7,277	6,643	1.70	11,293	596	12,731	4,880	n/a	n/a	5,747	2,104	
2005-2006F	7,506	7,181	1.72	12,332	420	14,855	5,500	n/a	n/a	6,355	3,000	
Total Grains And Oilseeds												
2003-2004	26,263	24,461	2.44	59,663	3,029	72,719	25,523	n/a	n/a	36,174	11,022	
2004-2005P	26,038	23,219	2.74	63,595	3,119	77,736	23,491	n/a	n/a	38,427	15,818	
2005-2006F	25,559	23,627	2.63	62,128	3,277	81,223	26,800	n/a	n/a	39,373	15,050	

(a) August - July crop year except corn and soybeans which are September - August.

(b) Excludes imports of products. (c) Includes exports of products for wheat, oats, barley, and rye. Excludes exports of oilseed products.

(d) Total Domestic Use = Food and Industrial Use + Feed Waste & Dockage + Seed Use

(e) Industrial use excludes flaxseed due to data confidentiality.

(f) Crop year average prices: No.1 CWRS 11.5% protein and No.1 CWAD 11.5% (CWB final price I/S St. Lawrence/Vancouver), Barley (No. 1 feed, WCE, cash, I/S Lethbridge), Corn (No.2 CE, cash, I/S Chatham), Oats (US No. 2 Heavy, CBoT nearby futures); Rye (No.2 Canada, Elevator bids at select western delivery points); Canola (No. 1 Canada, WCE, cash, I/S Vancouver); Flaxseed (No. 1 CW, WCE, cash, I/S Thunder Bay); Soybeans (No. 2, I/S Chatham). * CVB Pool Return Outlook (PRO) - July 28, 2005 ** CWB Pool Return Outlook (PRO) - August 25, 2005

^{1/} Source for Food and Industrial Use is based on data from the Canadian Oilseed Processors Association.

P: preliminary; F: forecast - Agriculture and Agri-Food Canada - September 20, 2005

Source: Statistics Canada, Cereals and Oilseeds Review Series, Cat. No. 22-007



CANADA: PULSE AND SPECIAL CROPS OUTLOOK

September 20, 2005

Total Canadian pulse and special crops production is estimated to increase by 4%, from 2004-05, to 5.43 million tonnes (Mt), based on Statistics Canada's (STC) July 31 production estimates and AAFC forecasts where STC estimates were not available. Total supply increased by 15% to 6.78 Mt, due to higher production and higher carry-in stocks. This report incorporates STC's year end carry-out stocks estimates for 2004-05. Exports are forecast to increase by 15% and domestic use by 7% due to stronger demand, but carry-out stocks are also expected to increase. Average prices, over all types, grades and markets, are forecast to increase for chickpeas and mustard seed, decrease for dry peas, lentils, dry beans, canary seed and sunflower seed, and be the same for buckwheat.

STC's yield estimates are significantly higher than trend for Ontario, Saskatchewan and Alberta, and much below trend for Manitoba. Since the survey was conducted from July 20 to August 5 before the start of harvest, the actual yields for crops in western Canada could be lower than the estimates because of hot and dry weather in late July and early August. Crop abandonment is expected to be slightly lower than normal, except for Manitoba where significantly higher than normal abandonment is expected. For western Canada, harvest progress is about one to two weeks behind normal, but significantly ahead of 2004-05. Harvest progress is about a week ahead of normal for eastern Canada. Harvesting of dry peas and lentils is mostly complete and a significant portion of chickpeas and mustard seed have been harvested. Harvesting of dry beans in eastern Canada is mostly complete, but only a small portion has been harvested in western Canada. Only a small portion of canary seed has been harvested. The buckwheat harvest is expected to start in late September and the sunflower seed harvest in early October. Overall quality is expected to be better than in 2004-05, but generally lower than normal due to rain in large areas of Alberta and Saskatchewan during harvest. Although some late crops could still be damaged by frost, most unharvested crops are sufficiently advanced in development that frost would not damage them. The main factors to watch are precipitation and temperatures during the rest of the harvest period in Canada. Other factors to watch are the exchange rates of the Canadian dollar against the US dollar and other currencies, ocean shipping rates, and growing and harvest conditions in major producing regions, especially United States, India and Australia.

DRY PEAS

For 2005-06, production is estimated to decrease by 3%, as a 2% rise in seeded area is more than offset by lower yields. Production is expected to decrease for yellow, green and other types. Supply is estimated to increase by 7% due to higher carry-in stocks. World supply is expected to increase by 2% to 12.6 Mt, but use is also forecast to increase, resulting in stable carry-out stocks. Canadian exports and domestic use are expected to increase due to stronger demand in the food markets in Asia and in the feed markets in the EU and Canada. Carry-out stocks are forecast to remain stable, with a stocks-to-use (s/u) ratio of 18%. The average price, over all types, grades and markets, is forecast to decrease slightly due to the higher world supply.

LENTILS

For 2005-06, production and supply are estimated to increase significantly, due to an 11% rise in seeded area, higher yields and higher carry-in stocks. Production is expected to increase for all types; large, medium and small green, and red. World supply is forecast to increase by 15% to 4.5 Mt. Although world use is expected to increase because of higher demand, resulting mostly from lower prices, carry-out stocks are forecast to rise. Canadian exports are expected to increase by 34% due to the higher demand. Carry-out stocks are forecast to rise significantly, with a s/u ratio of 60%. The average price, over all types and grades, is forecast to decrease moderately from 2004-05, as pressure from higher world supply is partly offset by support from higher quality.

DRY BEANS

For 2005-06, production and supply are estimated to increase, due to a 25% rise in seeded area and lower abandonment. Production is expected to increase for white pea, pinto, black, dark and light red kidney, cranberry and small red beans, but remain stable for Great Northern and pink beans. US

production is forecast to increase by 44% to 1.12 Mt, while supply increases by only 20% to 1.26 Mt due to lower carry-in stocks. Canadian exports are forecast to increase slightly due to higher supply. Carry-out stocks are expected to increase, with a s/u ratio of 6%. The average price, over all classes and grades, is forecast to decrease due to the higher supply.

CHICKPEAS

For 2005-06, production and supply are estimated to increase, because of a 65% increase in seeded area, lower abandonment and higher yields. Production is expected to increase for large and small kabuli types, but decrease slightly for the desi type. World supply is expected to increase marginally to 8.95 Mt. Canadian exports are forecast to increase due to the higher supply. Carry-out stocks are expected to increase, but remain low. The average price, over all types, grades and sizes, is forecast to increase due to higher quality and a shift to the production of the higher priced kabuli types.

MUSTARD SEED

For 2005-06, production is estimated to decrease by 28% because of a 32% fall in seeded area, which is partly offset by higher yields. Production is expected to decrease for all types, yellow, brown and oriental. Supply is expected to increase slightly due to higher carry-in stocks. Although exports are forecast to rise due to higher demand, carry-out stocks are forecast to decrease only slightly, with a s/u ratio of 84%. The average price, over all types and grades, is expected to increase marginally as higher quality more than offsets pressure from the higher supply.

CANARY SEED

For 2005-06, production is estimated to decrease by 19%, as a 43% fall in seeded area is mostly offset by higher yields. Supply is expected to increase by 13%, as higher carry-in stocks more than offset the fall in production. World supply, 90% of which is in

Canada, is forecast to increase by 12% to 455,000 t. Although Canadian exports are expected to increase due to higher demand, carry-out stocks are forecast to rise, with a s/u ratio of 89%. The average price is forecast to decrease because of the higher supply.

SUNFLOWER SEED

For 2005-06, production and supply are estimated to increase due to a 12% rise in seeded area, lower abandonment and higher yields. Production is expected to increase for both types, confectionery and oilseed. US supply is forecast to increase by 49% to 1.62 Mt. World supply is expected to increase by 6% to 29.0 Mt. Canadian exports and domestic use are forecast to increase because of the higher supply. Carry-out stocks are expected to increase slightly, but remain low. The average price, over both types and all grades, is forecast to decrease because of the higher supply in US and Canada.

BUCKWHEAT

For 2005-06, Canadian production is forecast to remain stable, as a lower seeded area is offset by lower abandonment and higher yields. Supply is expected to decrease due to lower carry-in stocks. Exports are forecast to decrease and carry-out stocks are expected to be negligible. The average price is forecast to be the same as in 2004-05, in line with a relatively stable world supply.

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CANADA: PULSE AND SPECIAL CROPS SUPPLY AND DISPOSITION

September 20, 2005

Grain and Crop Year (a)	Area		Yield t/ha	Production	Imports (b)	Total Supply	Exports (b)	Total Domestic Use (d)	Carry-out Stocks	Average Price (e) \$/t
	Seeded	Harvested								
	000 ha									
----- thousand metric tonnes -----										
Dry Peas										
2001-2002	1,344	1,285	1.57	2,023	27	2,245	1,381	589	275	190
2002-2003	1,297	1,050	1.30	1,365	41	1,681	628	743	310	210
2003-2004	1,303	1,271	1.67	2,124	24	2,458	1,316	937	205	175
2004-2005P	1,388	1,345	2.48	3,338	56	3,599	1,856	1,148	595	135
2005-2006F	1,410	1,364	2.37	3,228	40	3,863	2,050	1,213	600	115-145
Lentils										
2001-2002	708	664	0.85	566	6	828	478	219	131	320
2002-2003	601	387	0.91	354	9	494	320	119	55	390
2003-2004	554	536	0.97	520	5	580	368	174	38	420
2004-2005P	778	750	1.28	962	10	1,010	449	316	245	310
2005-2006F	860	847	1.44	1,219	5	1,469	600	319	550	255-285
Dry Beans										
2001-2002	184	175	1.70	298	42	380	263	82	35	725
2002-2003	230	219	1.89	414	40	489	298	96	95	445
2003-2004	167	167	2.13	356	31	482	344	83	55	495
2004-2005P	163	126	1.75	220	30	305	277	23	5	650
2005-2006F	203	172	1.77	304	40	349	280	49	20	530-560
Chickpeas										
2001-2002	486	467	0.97	455	12	497	146	211	140	380
2002-2003	221	154	1.01	156	9	305	105	140	60	300
2003-2004	63	63	1.08	68	2	130	74	36	20	330
2004-2005P	47	39	1.31	51	5	76	46	25	5	385
2005-2006F	77	72	1.39	100	5	110	65	35	10	410-440
Mustard Seed										
2001-2002	166	158	0.66	105	3	213	171	9	33	685
2002-2003	289	255	0.60	154	9	196	114	22	60	595
2003-2004	340	328	0.69	226	2	288	121	75	92	390
2004-2005P	317	304	1.01	306	1	399	119	86	194	295
2005-2006F	217	212	1.04	220	1	415	140	85	190	285-315
Canary Seed										
2001-2002	170	163	0.70	114	0	184	134	20	30	660
2002-2003	287	227	0.78	176	0	206	164	22	20	575
2003-2004	251	243	0.93	226	0	246	168	11	67	345
2004-2005P	356	318	0.95	301	0	368	163	35	170	230
2005-2006F	204	199	1.23	244	0	414	180	39	195	195-225
Sunflower Seed										
2001-2002	73	67	1.55	104	29	179	92	65	22	355
2002-2003	100	95	1.65	157	21	200	105	60	35	440
2003-2004	119	115	1.30	150	16	201	96	80	25	405
2004-2005P	87	59	0.92	54	35	114	32	64	18	490
2005-2006F	98	81	1.31	106	30	154	60	74	20	375-405
Buckwheat										
2001-2002	14	14	1.14	16	1	17	6	8	3	325
2002-2003	12	12	1.00	12	1	16	6	7	3	340
2003-2004	9	9	1.11	10	1	14	5	7	2	355
2004-2005P	9	7	0.71	5	1	8	4	4	0	355
2005-2006F	7	5	1.00	5	1	6	2	4	0	340-370
Total Pulse And Special Crops (c)										
2001-2002	3,131	2,993	1.23	3,681	120	4,543	2,671	1,203	669	
2002-2003	3,025	2,399	1.16	2,788	130	3,587	1,740	1,209	638	
2003-2004	2,797	2,732	1.35	3,680	81	4,399	2,492	1,403	504	
2004-2005P	3,136	2,948	1.78	5,237	138	5,879	2,946	1,701	1,232	
2005-2006F	3,075	2,952	1.84	5,426	122	6,780	3,377	1,818	1,585	

(a) August-July crop year.

(b) Excludes products.

(c) Includes Pulse Crops (dry peas, lentils, dry beans, chick peas) and Special Crops (mustard seed, canary seed, sunflower seed, buckwheat)

(d) Includes food, feed, seed, waste and dockage. Total domestic use is calculated residually.

(e) Producer price, FOB plant. Average over all types, grades and markets.

P: preliminary

F: forecast, Agriculture and Agri-Food Canada, September 20, 2005

Source: Statistics Canada and industry consultations.

B. CASH PRICES AND REPLACEMENT VALUES

September 19, 2005

PRAIRIE GRAINS

Selected Points	Price Basis		This week 20-Sep-05	Last week 6-Sep-05	Month ago 22-Aug-05	Year ago 20-Sep-04
From: Thunder Bay(WCE) (2)	In-Store	Wheat	108.00	107.00	107.00	116.80
(CBOT)		Oat	160.25	142.25	149.50	165.40
(Lethbridge)		Barley	108.00	102.00	104.00	111.00
To: Bayport, ON (1)	In-store	Wheat	131.61	130.61	130.61	140.41
		Oat	N/A	N/A	N/A	N/A
		Barley	135.39	129.39	131.39	138.39
Montreal, QC (1)	In-store	Wheat	136.03	135.03	135.03	144.83
		Oat	N/A	N/A	N/A	N/A
		Barley	140.31	134.31	136.31	143.31
Moncton, NB	Truck via Halifax	Wheat	158.25	157.25	157.25	167.05
		Oat	N/A	N/A	N/A	N/A
		Barley	164.50	158.50	160.50	167.50
Truro, NS	Truck via Halifax	Wheat	152.22	151.22	151.22	161.02
		Oat	N/A	N/A	N/A	N/A
		Barley	162.00	156.00	158.00	165.00
Halifax, NS (1)	In-store	Wheat	143.28	142.28	142.28	152.08
		Oat	N/A	N/A	N/A	N/A
		Barley	148.30	142.30	144.30	151.30
Stephenville, NL	Track / Truck via Sydney	Wheat	206.63	205.63	205.63	215.43
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A
Melfort, SK		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Bayport, ON		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Montreal, QC		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Moncton, NB		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Truro, NS		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track / Truck via Sydney	Barley	N/A	N/A	N/A	N/A
Stephenville, NL		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A

Selected Points	Price Basis		This week 20-Sep-05	Last week 6-Sep-05	Last week 22-Aug-05	Year ago 20-Sep-04
Corn						
From: US Lake Port	On Board Vessel		86.74	94.61	98.09	125.49
To: Montreal, QC (1)	In-store		105.78	113.65	117.13	144.53
From: Chicago (IL)	Track		86.74	101.62	99.04	112.69
To: Montreal, QC	Track		115.60	130.48	127.90	141.55
From: Chatham, ON	Track		104.86	105.65	109.27	140.88
To: Montreal, QC	Track		128.73	129.52	133.14	164.75

Soymeal 48% Protein

From: Hamilton, ON			258.49	274.58	283.07	288.14
To: Montreal, QC	Track		282.82	298.91	307.40	312.47
Moncton, NB	Track		301.57	317.66	326.15	331.22
Truro, NS	Track		304.79	320.88	329.37	334.44
Stephenville, NL	Track / Truck via Sydney		353.42	369.51	378.00	383.07

- Prices include ONE month of storage and interest charges n/a = not available
- Thunder Bay prices are based on the Winnipeg Commodities Exchange market close (Cash price)

Source: Market Analysis Division, Agriculture and Agri-Food Canada

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Footnotes: All prices quoted in Canadian dollars per metric tonne.

Grain grades (unless otherwise specified) are: Canada Western Feed Wheat, Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn.

Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivi res and Quebec.

Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable



Bi-weekly Bulletin

October 7, 2005 Volume 18 Number 18

BUCKWHEAT / FLAXSEED

BUCKWHEAT: SITUATION AND OUTLOOK

Buckwheat has many uses and is rated as one of the best sources of high biological value protein in the plant kingdom. In spite of its name, buckwheat is technically a fruit or a nut rather than a cereal grain. Although production in Canada has fallen to a low level, it is expected to increase over the longer term with the development of new varieties and increased consumption in Canada and the United States (US). This issue of the *Bi-weekly Bulletin* examines the situation and outlook for buckwheat.

WORLD

World buckwheat production has been variable, but trending downwards during the past 10 years. China generally produces about 50% of the world's buckwheat, Russia about 20% and Ukraine about 15%.

World buckwheat exports averaged 173,000 tonnes per year during the 5 year period ending in 2004. China normally accounts for about 75% of the exports and Japan normally accounts for about 60% of the imports.

CANADA

Production

Buckwheat is a broadleaf plant which grows best in well drained light to medium textured

soils. Seeding normally takes place in the early part of June, after the risk of frost is gone. It matures in 80-90 days and makes an excellent rotation with cereal grains. It requires less nitrogen than cereal crops and is very efficient at removing phosphorus from the soil for its own needs. It also increases the phosphorus available for subsequent crops through its decomposing residue. Buckwheat is susceptible to stress during dry periods because the stomata stays open causing the plant to wilt. Weed control in buckwheat is a challenge since there are few herbicides available, particularly for broadleaf weeds. Since it is sown late, weeds are generally controlled with cultivation before seeding. Canadian buckwheat is normally harvested in September and early October.

acid composition that is complementary to cereal grains, and buckwheat is high in iron, potassium, magnesium, sulfur and phosphorus, as well as vitamins B and P. Buckwheat is virtually fat free and is gluten free. An important by-product of buckwheat production is buckwheat honey, produced from nectar collected from buckwheat flowers by bees.

Buckwheat is milled into light or dark flour or processed into groats, the meat of the seed, and grits which are essentially cracked groats. Buckwheat flour is mixed with wheat flour to make noodles called Soba in Japan. Large seeded varieties, such as Koban and Koto, have a starch content about 7-8% higher than other varieties. In addition, the starch is softer, which makes the noodles chewy. This is a desirable trait. It also enables Japanese buckwheat millers to use up to 80% buckwheat in their noodle mixes compared to the usual blend of 50% buckwheat and 50% wheat flour. Buckwheat flour is also used for pancake mixtures or mixed with wheat flour for baking bread, rolls and cakes. As well, it is mixed with semolina to make pasta and is used in breakfast cereals, puffed snacks and stuffing. Since buckwheat does not contain gluten, it can be used to produce flour rich in high quality proteins, valuable for people with gluten sensitive enteropathy (celiac disease).

The groats and grits can be eaten plain, roasted or flavoured. Roasted groats and grits are called "kasha" in central and eastern Europe and are eaten as a porridge or used as a stuffing. The groats are also used to decorate bread and other baked goods. They are also used as a meat substitute or extender, for stuffing meats and vegetables, for mixing in soups and stews, and as a side dish. Buckwheat is also used in the manufacture of beer and ice cream.

Buckwheat production in Canada has been trending downwards during the past 20 years. Although buckwheat is produced from the Maritimes to Alberta, Manitoba normally accounts for more than half of Canadian production, with most of the rest produced in Ontario and Quebec.

Uses

Buckwheat is very nutritious and is used to make a wide range of products. The protein of buckwheat is comparable to animal-based proteins and is easily digestible. It has a well-balanced amino

WORLD: BUCKWHEAT PRODUCTION

	2001 -2002	2002 -2003	2003 -2004	2004 -2005	2005 -2006f
Harvested Area (kha)	3,089	2,051	2,133	2,621	2,500
Average Yields (t/ha)	0.84	0.89	1.19	1.09	1.04
.....thousand tonnes.....					
China	1,250	968	1,340	1500	1400
Russia	574	302	525	650	550
Ukraine	388	209	311	293	300
France	59	81	102	138	80
United States	65	65	65	65	65
Poland	59	40	44	59	50
Brazil	50	48	48	48	50
Kazakhstan	45	30	30	24	30
Japan	26	25	26	27	25
Canada*	16	12	10	5	5
Other	55	41	42	59	45
Total World	2,587	1,821	2,543	2,868	2,600

f: forecast, AAFC - October 2005

Source: FAO, except *Statistics Canada - October 2005

WORLD: BUCKWHEAT EXPORTS

calendar year	2000	2001	2002	2003	2004
.....thousand tonnes.....					
China	106	104	96	184	137
Netherlands*	9	10	7	11	13
United States	12	17	7	10	11
Canada	9	7	5	5	5
Ukraine	1	9	6	3	5
Poland	6	7	3	1	1
Russia	7	10	1	1	1
Other	8	6	9	7	7
Total	158	170	134	222	180

* re-exports

WORLD: BUCKWHEAT IMPORTS

calendar year	2000	2001	2002	2003	2004
.....thousand tonnes.....					
Japan	97	93	91	92	90
Russia	13	1	3	72	28
France	9	14	8	8	7
Netherlands	14	13	10	16	18
United States	5	6	3	3	4
Other	30	37	36	35	34
Total	168	164	151	226	181

Source: FAO, Global Trade Atlas & Statistics Canada – October 2005

Some light weight buckwheat seed is used for bird seed mixtures. The hull can be used to make pillows and heating pads.

Marketing

All of the buckwheat produced in Canada is sold on the open market to dealers. It is normally sold within a year after harvest, as it tends to lose its value when new crop starts to come into the market.

The Canadian Special Crops Association (CSCA) (www.specialcrops.mb.ca) establishes trade rules for domestic trade and serves as a forum for exporters, dealers and brokers involved in the industry of trading Canada's pulse and special crops, including buckwheat. The website includes a section where buyers can submit a request for prices and information on buckwheat uses, nutrition and health benefits.

The Canadian Grain Commission (CGC) administers quality control standards for buckwheat. For further information, or to access the Official Grain Grading Guide, please visit the CGC website: www.grainscanada.gc.ca

Domestic Use, Exports and Prices

There are several small processors of buckwheat in Canada, concentrating on milling buckwheat for flour, groats and grits, including for the organic food market. Some buckwheat is used in bird seed mixtures.

Japan and the US are the main markets for Canadian buckwheat. Canadian buckwheat imports are mainly from the US.

Average Canadian prices, over all grades and markets, have been relatively stable during the past ten years. Most

of the buckwheat is grown under contract which guarantees the price for part, or all, of the production before seeding.

OUTLOOK**2005-2006**

World buckwheat production is forecast to decrease from the higher than trend production level in 2004-05.

Canadian production is forecast to remain stable, as a decrease in seeded area is offset by higher yields. However, supply is forecast to fall because of lower carry-in stocks, resulting in lower exports and domestic use. Carry-out stocks are expected to be negligible. The average price, over all grades and markets, is forecast to remain stable.

Canada: Longer Term

There are three main challenges which are limiting buckwheat production in Canada: (1) low yields, (2) lack of frost tolerance, and (3) the difficulty in controlling weeds. Work is underway in all three areas and improvements would increase the economic viability of buckwheat production.

Another method of improving the economic viability of buckwheat production is to increase demand and strengthen prices. This involves the development of varieties which are more desirable in Japan and by promoting the health benefits of eating buckwheat products to the consumers in North America.

The North American Buckwheat Promotion Committee is working "to develop and promote expanding use of buckwheat and its products by creating awareness of buckwheat's natural nutritional advantages".

Buckwheat has the potential to be used in pharmaceutical and nutraceutical products. It is high in lysine, an amino acid used in nutraceuticals. Buckwheat contains antioxidants: rutin, quercetin, hyperoside, catechin, epicatechin and proanthocyanidins.

Higher use in Canada and the US, as well as higher shipments to Japan and other overseas markets, would increase production, increase crop diversification and expand domestic processing.

For periodic updates on the situation and outlook for buckwheat, visit [Market Analysis Division Online for "Canada: Pulse and Special Crops Outlook."](http://Market Analysis Division Online for 'Canada: Pulse and Special Crops Outlook.')

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CANADA: BUCKWHEAT SUPPLY AND DISPOSITION

August-July crop year	2001 -2002	2002 -2003	2003 -2004	2004 -2005	2005 -2006f
Seeded Area (kha)	14	12	9	9	7
Harvested Area (kha)	14	12	9	7	5
Yield (t/ha)	1.14	1.00	1.11	0.71	1.00
.....thousand tonnes.....					
Carry-in stocks	0	3	3	2	0
Production	16	12	10	5	5
Imports	1	1	1	1	1
Supply	17	16	14	8	6
Exports:					
United States	2.8	1.7	2.7	1.8	1.3
Japan	3.0	4.0	1.9	1.4	1.3
Other	0.2	0.3	0.4	0.8	0.4
Total Exports	6	6	5	4	3
Total Domestic Use	8	7	7	4	3
Total Use	14	13	12	8	6
Carry-out Stocks	3	3	2	0	0
Seeded Area (kac)	35	30	22	22	17
Harvested Area (kac)	35	30	22	17	12
Yield (bu/ac)	21	19	21	13	19
Average producer price*					
Yellow \$/t	325	340	355	355	340-370
\$/bu	7.08	7.40	7.73	7.73	7.40-8.05

* Canada, average over all grades and markets
 f: forecast, Agriculture and Agri-Food Canada, October 2005
 Source: Statistics Canada and AAFC

FLAXSEED: SITUATION AND OUTLOOK

Canada continues to be the world's largest producer and exporter of flaxseed, representing about 80% of world trade. As a result, Canadian supply conditions have a major impact on the world flaxseed market. Canada has exported an average of almost \$250 million per year in flaxseed for the past 5 years. For 2005-2006, Canadian supplies are forecast to rise by about two-thirds as the largest flaxseed crop in recent history is moderated by record low carry-in stocks. Exports are also expected to increase significantly. Prices are projected to fall sharply, to a near normal \$325 a tonne (/t), from over \$500/t for much of 2004-2005. This issue of the *Bi-weekly Bulletin* examines the situation and outlook for flaxseed for 2005-2006 and 2006-2007.

WORLD

World production of the 10 major oilseeds (soybeans, cottonseed, canola/rapeseed, peanuts, sunflower seed, palm kernels, copra, sesame seed, flaxseed, and castorseed) is estimated at 377.3 million tonnes (Mt) in 2005-2006, an increase of only 3 Mt over 2004-2005. Flaxseed production is estimated at 2.60 Mt, less than one percent of world output.

World production of flaxseed has ranged between 2.0 Mt and 2.5 Mt over the past 5 years. By contrast, the world flaxseed crush has averaged a stable 1.86 Mt annually over the past five years. The EU-25 has the largest domestic crushing sector followed by China and the US. The crushing process produces two products, linseed (flaxseed) oil and linseed (flaxseed) meal.

For 2004-2005, world processing of flaxseed declined slightly to 1.82 Mt from 1.92 Mt in 2003-2004, because of a reduced EU-25 crush. Flaxseed was in short supply following a mid-August frost across the major flaxseed growing regions in Canada which struck a late seeded and immature crop. As a result, both crop volume and quality were in short supply,

resulting in demand rationing of Canadian flaxseed into the EU-25.

The reduced EU crush was mostly offset by an increase in US crush to about 0.37 Mt for 2004-2005. The increase in US crush was supported by increased imports from Canada and by a stable US production of 0.27 Mt. Chinese crushing of flaxseed remained stable at 0.42 Mt supported by the availability of domestic supplies.

Trade

For 2004-2005, world trade in flaxseed declined sharply to 0.64 Mt, from 0.82 Mt the previous year due to production problems in Canada. Most of the world trade in flaxseed consists of Canadian exports to the EU-25 and to the US. Minor volumes are exported from the US and Argentina, with North American shipments ranging from 11,000 t to 100,000 t over the past five years while Argentine exports peaked at 23,300 t in 2004-2005.

The EU-25 imports from 0.4 Mt to about 0.6 Mt of flaxseed annually, while the US typically imports 50,000 t to 150,000 t of flaxseed a year.

products, demand and prices for linseed oil are more affected by world crude oil prices than they are by other vegetable oils. Rising crude oil prices are expected to support the demand for linseed oil. Not surprisingly, the EU-25, China and the US are the major users of linseed oil. World trade in linseed oil is slightly above 0.1 Mt annually, with the EU-25 and the US each roughly accounting for one-third of the trade.

World linseed meal production ranges from 1.1 Mt to 1.4 Mt annually over the past 5 years. The EU-25 produces roughly about one-third of the world's linseed meal, followed by China at one-quarter and the US at slightly under one fifth market share. Most of the meal is consumed within the producing country with only about 60,000 t per year traded over the past six years. Of that, Canada accounted for about one-half of the world's exports in linseed meal which went to the US and the EU-25.

Situation

For 2005-2006, world production of flaxseed is estimated to rise by over 0.5 Mt on support from increased production in Canada and the US. World flaxseed supplies are expected to rise by about 25% as the higher output more than offsets the decline in carry-in stocks. World usage is projected to rise supported by increased supplies and higher crude oil prices which continue to trade at over US\$60 a barrel. World trade is forecast to rise by 36% because of higher Canadian exports to the EU-25. Carry-out stocks are forecast to rise sharply, with about one-half of the ending stocks located in Canada.

China is expected to be the world's second largest producer of flaxseed in 2005-2006, producing 0.48 Mt which is a slight increase from 2004-2005. Most of the linseed grown in China is processed domestically with only about 5,000 t expected to be exported. China is also not a major trader in linseed oil or meal.

The US is forecast to produce 0.43 Mt of flaxseed for 2005-2006, a sharp rise from the 0.27 Mt per year produced for the previous 3 years. The increase is due to a rise in seeded area resulting from the unusually high flaxseed prices of 2004-2005. Total supplies are forecast to rise to slightly under 0.6 Mt as the US imports about 0.12 Mt of flaxseed from Canada. Total American usage is expected to rise with about 0.55 Mt being processed

WORLD: FLAXSEED SUPPLY AND DISPOSITION

	2003 -2004	2004 -2005e	2005 -2006f
.....million tonnes.....			
Carry-in stocks	0.20	0.19	0.12
Production			
Canada*	0.75	0.52	1.04
China	0.45	0.46	0.48
United States	0.27	0.27	0.43
India	0.23	0.20	0.22
EU-25	0.17	0.16	0.17
Other	0.29	0.42	0.26
Total Production	2.16	2.03	2.60
Total Supply	2.36	2.22	2.72
Crush	1.92	1.82	2.03
Other	0.25	0.28	0.38
Total Use	2.17	2.10	2.41
Carry-out Stocks	0.19	0.12	0.31
Trade	0.82	0.64	0.87

e: estimate, Oil World, June 13, 2005

f: forecast, AAFC - October 2005

Source: Oil World, except *which is Statistics Canada

Linseed Oil and Meal

World production of linseed oil ranged from about 0.6 Mt to 0.7 Mt over the past 5 years. The major producers of linseed oil are the EU-25, the US and China. As it is commonly used in industrial products such as paints, paint thinners and linoleum, all of which compete against petroleum based

CANADA: FLAXSEED EXPORTS BY COUNTRY OF DESTINATION

August-July crop year	2003 -2004	2004 -2005p	2005 -2006f
.....thousand tonnes.....			
EU-25			
Belgium	462.9	312.5	500.0
Netherlands	0.0	0.0	20.0
Germany	0.0	0.0	1.0
Other	0.0	3.0	1.0
Total EU-25	462.9	315.5	522.0
United States	107.9	133.2	125.0
Japan	20.4	19.0	35.0
Egypt	17.4	0.0	18.0
World	608.6	467.8	700.0

p: preliminary

f: forecast, AAFC - October 2005

Source: Statistics Canada

domestically and around 0.05 Mt being exported. Linseed oil output is forecast to rise to 0.19 Mt while total meal production is about 0.36 Mt. Most of the oil and meal is expected to be consumed domestically, while about 50,000 t of linseed oil and 40,000 t of linseed meal is exported.

In the EU-25 for 2005-2006, the supply of flaxseed is forecast to rise as output rises marginally and imports are forecast to increase to 0.6 Mt, from 0.45 Mt, for 2004-2005. As a result, crushing of flaxseed is forecast to rise by 0.1 Mt, to 0.58 Mt, for 2005-2006 while about 0.18 Mt of flaxseed are destined for bakery products and animal feed, etc. Carry-out stocks are forecast at a minimal 30,000 t. Linseed oil production is forecast to rise to around 0.2 Mt, most of which will be consumed internally. Similarly, linseed meal output is forecast to return to a near normal 0.35 Mt, which will be largely consumed within the EU-25.

Canadian production of flaxseed is estimated to more than double for 2005-2006, partly the result of an over 50% increase in seeded area and partly because of a sharp rise in expected yields. However, total supplies are projected to increase by only 67% due to record low carry-in stocks. Exports are projected to rise to the highest level since 1998-1999 due to strong EU and US import demand as a result of spillover support from high crude oil prices. Total domestic use is forecast to rise by 56% as a result of higher crush, increased food consumption and higher feed, waste and dockage. Carry-out stocks are forecast to rise fivefold but at 0.15 Mt are not considered

CANADA: FLAXSEED SUPPLY AND DISPOSITION

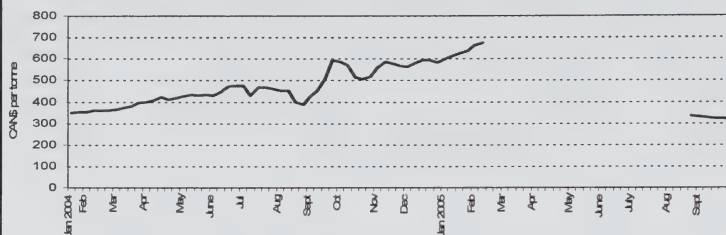
<i>August-July crop year</i>	2003 -2004	2004 -2005	2005 -2006^f
Harvested Area (kha)	728	528	811
Average Yields (t/ha)	1.04	0.98	1.28
.....thousand tonnes.....			
Carry-in stocks	129	93	30
Production	754	517	1,035
Imports	20	38	20
Total Supply	903	648	1,085
Exports	609	468	700
Total Domestic Use	202	150	235
Total Use	811	618	935
Carry-out Stocks	93	30	150
Price* CAN\$ per tonne, in-store, Thunder Bay	382	n/a	305 -345

* No. 1 CW, Winnipeg Commodity Exchange, cash
n/a = not available

f: forecast, AAFC – October 2005

Source: Statistics Canada

CANADA: FLAXSEED PRICE*



* No.1 CW, cash, in-store Thunder Bay; Source: Winnipeg Commodity Exchange

FLAXSEED FUTURES CONTRACT

On September 8, 2005, the Winnipeg Commodity Exchange (WCE) announced that it was de-activating the flaxseed futures and options contracts from trading on the electronic trading platform. The WCE Oilseeds Committee is recommending to the WCE Board of Directors that the flaxseed futures and options contracts be de-listed due to the lack of liquidity in these contracts. The flaxseed futures contract has not traded since December 7, 2004. The Board of Directors will reconsider the recommendation at their meeting scheduled for October 19, 2005.

burdensome. Flaxseed prices are forecast to average about \$330/t for 2005-2006, a sharp decline from 2004-2005 due to increased supplies.

Canadian linseed oil production is forecast to rise slightly, but remain below 30,000 t for 2005-2006 with both imports and exports expected to range between 5,000 t to 10,000 t. Similarly, linseed meal production is forecast to rise to slightly below 50,000 t. About 20,000 t is expected to be exported, mostly to the US.

while flaxseed prices rise slightly on support from high crude oil prices.

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OUTLOOK

For 2006-2007, world flaxseed production is projected to decline slightly mainly due to lower production in Canada. However, total world supplies are projected to rise marginally as sharply higher carry-in stocks offset the drop in output. World crush of flaxseed is projected to rise marginally, to slightly over 2.0 Mt, indicating a slight increase in world linseed oil and linseed meal output. World trade is projected to rise slightly. Carry-out stocks are also projected to rise slightly.

For 2006-2007, the area seeded to flaxseed in Canada is expected to decrease under pressure from lower prices in 2005-2006. Total output of flaxseed is projected to decline to under 1.0 Mt due to the combination of lower area and lower yields. In early October, 30% of the flaxseed remained unharvested. Flaxseed supplies are projected to rise slightly as sharply higher carry-in stocks more than offset the decline in output. Exports and total domestic use are projected to remain stable. Carry-out stocks are forecast to rise

While the Market Analysis Division assumes responsibility for all information contained in this bulletin, we wish to gratefully acknowledge input from the following:

Flax Council of Canada, Manitoba Agriculture, Food and Rural Initiatives, Market and Industry Services Branch (AAFC)



CANADA: GRAINS AND OILSEEDS OUTLOOK

October 7, 2005

For 2005-06, Canadian grain and oilseed (G&O) production is estimated by AAFC to decrease to 62.6 million tonnes (Mt), from 63.6 Mt in 2004-05, versus the 10-year average of 59.2 Mt, based on Statistics Canada's "September Estimate of Production of Principal Field Crops, Canada, 2005". Production in western Canada is estimated to decrease slightly from 2004-05, to 47.9 Mt, with lower yields more than offsetting higher harvested area. The harvest in western Canada is about 70% complete, about 10 days behind normal due to wet conditions in many regions. The quality of the crop is expected to be below normal, although better than last year's poor quality crop. In eastern Canada, production is estimated to be down by 4% from 2004-05 at 14.9 Mt. In Ontario and Quebec, generally hot and dry weather reduced yields and lowered the production of corn and soybeans.

Total supply of G&O in Canada is forecast to increase to a record 81.5 Mt, due to sharply higher carry-in stocks. Exports are forecast to increase by 15% to 27.3 Mt. Total domestic usage is also forecast to increase but carry-out stocks will remain historically high. Generally, world wheat and corn prices are forecast to be similar to last year, with soybean prices expected to decrease. Prices in Canada will continue to be pressured by the strong Canadian dollar. The major factors to watch are: harvest conditions in Canada and the US, import demand from China, EU export subsidies, ocean freight rates, Canadian trade investigations into imports of US corn, and the Canada/US exchange rate.

WHEAT (ex-durum)

For 2005-06, production is estimated to decline by 4%, but remain slightly above the 10-year average. Despite the smallest seeded area since 1974-75, yields are a near-record 39.4 bu/ac. Total supply is up marginally, due to higher carry-in stocks. The percent of the crop falling into the top grades is expected to be lower than normal, although better than 2004-05, and the carry-in stocks are also estimated to be mainly of lower grades. As a result, domestic feed use is forecast to decrease from last year but remain higher than normal. Due to increased supplies of milling quality, exports are forecast to rise by 17%. Much of the lower quality wheat is expected to be absorbed by the domestic feed industry. Carry-out stocks are forecast to decline. The Canadian Wheat Board (CWB) September Pool Return Outlook (PRO) is equal to or above 2004-05 for most grades and classes of wheat, except high protein No.1 CWRS. Protein premiums are forecast to decline from last year, due to larger supplies of high quality spring wheat, but remain above the previous 3 years.

DURUM

Production is estimated to rise by 8% due to yields which are 4% above 2004-05, and 19% above the 10-year average. Total supply is up by 17% at a record 7.9 Mt. Exports are expected to increase by 15% due to higher demand from major importers resulting from dryness in North Africa and southern Europe. However, more competition from other exporters and the inelastic nature of durum demand will pressure exports. As a result, carry-out stocks are projected to rise by 27% to a record 3.2 Mt, equal to 70% of 10-year average production. It is therefore unlikely that the CWB will be able to accept delivery of all durum offered by farmers in 2005-06, and farm-held stocks are forecast to increase by almost 70% to a record 1.7 Mt. The CWB 2005-06 PRO is significantly below 2004-05 for all milling grades, due to larger supplies in both the US and Canada.

BARLEY

Production is estimated to fall by 8% from 2004-05, as a result of lower area and yields. Total supply, however, is projected to increase slightly due to high carry-in stocks which resulted from the large production of low-quality barley in 2004-05. The quality of the 2005-06 crop is estimated to be below normal. Exports are forecast to rise by 34% due to higher feed barley exports. Carry-out stocks are expected to drop significantly, returning to a near-normal level. The off-Board feed barley price is forecast to decline slightly. Malting barley prices will be pressured by higher world production, with the CWB PRO for Special Select 2-Row down by \$8/t from 2004-05 at \$171/t.

OATS

Production is estimated to decrease by 10% due to lower yields. Total supply is expected to decline by 4%, as lower production more than offsets higher carry-in stocks. Exports are forecast to decline marginally due to lower US import demand. Carry-out stocks are expected to decrease. Feed oat prices are forecast to be similar to 2004-05.

CORN

Production is estimated to decline by 4% because of lower yields. However, carry-in stocks are significantly higher than for 2004-05, so that domestic supply is estimated to increase by 3%. Corn imports, mainly from the US into eastern Canada, are therefore expected to decrease by 17%. Food and industrial use is forecast to rise, as a result of increased ethanol production. Canadian prices are expected to be similar to 2004-05, as the impact of lower US corn prices and the strong Canadian dollar is offset by lower carry-out stocks in Canada.

CANOLA

Production is estimated to rise by 9% to the second highest level on record. Total supply is expected to increase by 21% because of significantly higher carry-in stocks. Crop quality is expected to be slightly above normal due to good growing conditions across the western prairies, which have

more than offset the excessive moisture and poor crops in eastern Manitoba. Domestic crush and exports are forecast to rise by only 6% and 14% respectively, due to competition from large supplies of palm oil and soybeans in competing countries. Carry-out stocks are forecast to increase sharply, to a record 2.5 Mt. The average price is forecast to fall, under pressure from low US soyoil prices and the burdensome carry-out stocks in Canada.

FLAXSEED (excluding solin)

Production is estimated to double, reaching the highest level since 1998-99, due to significantly higher seeded area and yields. Total supply is expected to rise by 67%. Exports are forecast to increase sharply on support from high domestic supplies, strong EU demand and higher crude oil prices. Carry-out stocks are expected to rise sharply, but are not expected to be burdensome. The average price is expected to decline.

SOYBEANS

Production is estimated to fall marginally due to lower seeded area. Domestic supply is estimated to increase due to significantly higher carry-in stocks. Imports from the US are expected to decrease by 36%. Domestic use is expected to rise to a near record level. Exports are forecast to decrease only marginally despite competition from large US and South American supplies. The average Chatham price is forecast to fall, due to weaker world soybean prices and the strong Canadian dollar.

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CANADA: GRAINS AND OILSEEDS SUPPLY AND DISPOSITION

October 7, 2005

Grain and Crop Year	Area		Yield	Production	Imports	Total	Exports	Food & Industrial Use (e)	Feed, Waste & Dockage	Total Domestic Use (d)	Carry-out	Average
(a)	Seeded	Harvested	t/ha		(b)	Supply	(c)				Stocks	Price (f)
	-----000 ha-----						thousand metric tonnes					\$/t
Durum												
2003-2004	2,483	2,459	1.74	4,280	1	5,900	3,427	252	219	683	1,789	224.21
2004-2005	2,230	2,141	2.32	4,962	1	6,752	3,218	240	555	1,013	2,521	200 *
2005-2006F	2,252	2,228	2.41	5,378	1	7,900	3,700	245	565	1,000	3,200	188 *
Wheat Except Durum												
2003-2004	8,179	8,009	2.41	19,272	16	23,395	12,299	2,775	3,223	6,805	4,291	206.03
2004-2005	8,169	7,722	2.71	20,898	13	25,203	11,586	2,791	4,567	8,145	5,471	188 *
2005-2006F	7,863	7,603	2.65	20,169	15	25,655	13,500	2,800	3,975	7,655	4,500	189 *
All Wheat												
2003-2004	10,662	10,467	2.25	23,552	18	29,295	15,727	3,027	3,442	7,488	6,080	
2004-2005	10,339	9,862	2.62	25,860	14	31,954	14,805	3,032	5,122	9,158	7,992	
2005-2006F	10,116	9,831	2.60	25,547	16	33,555	17,200	3,045	4,540	8,655	7,700	
Barley												
2003-2004	5,046	4,446	2.77	12,328	36	13,838	2,456	287	8,579	9,280	2,102	135.8
2004-2005	4,678	4,050	3.26	13,186	80	15,368	1,862	263	9,348	10,017	3,489	112.15
2005-2006F	4,481	3,880	3.13	12,133	30	15,652	2,500	360	10,002	10,752	2,400	100-120
Corn												
2003-2004	1,265	1,226	7.82	9,587	2,108	12,805	353	2,415	8,882	11,310	1,143	137.18
2004-2005	1,185	1,072	8.24	8,836	2,413	12,391	203	2,395	7,980	10,387	1,802	100.68
2005-2006F	1,131	1,094	7.73	8,452	2,000	12,254	150	2,450	8,389	10,854	1,250	90-110
Oats												
2003-2004	2,272	1,575	2.34	3,691	19	4,234	1,557	140	1,581	1,888	788	136.65
2004-2005	1,995	1,315	2.80	3,683	25	4,496	1,672	110	1,555	1,836	988	130.68
2005-2006F	1,875	1,342	2.48	3,334	15	4,337	1,600	140	1,527	1,837	900	120-140
Rye												
2003-2004	246	147	2.22	327	0	352	172	47	47	112	68	104.44
2004-2005	284	165	2.53	418	1	487	122	48	155	220	145	70-80
2005-2006F	218	167	2.31	386	1	532	150	48	167	232	150	70-90
Mixed Grains												
2003-2004	241	135	2.84	384	0	384	0	0	384	384		
2004-2005	220	111	2.87	318	0	318	0	0	318	318		
2005-2006F	211	108	2.69	292	0	292	0	0	292	292		
Total Coarse Grains												
2003-2004	9,070	7,529	3.50	26,317	2,162	31,613	4,538	2,889	19,474	22,975	4,101	
2004-2005	8,362	6,713	3.94	26,441	2,519	33,061	3,859	2,817	19,356	22,778	6,424	
2005-2006F	7,915	6,591	3.73	24,596	2,046	33,066	4,400	2,998	20,376	23,966	4,700	
Canola												
2003-2004	4,736	4,689	1.44	6,771	243	7,908	3,754	3,390	113	3,545	609	387.04
2004-2005	5,319	4,938	1.57	7,728	107	8,444	3,412	3,031	326	3,402	1,629	309.15
2005-2006F	5,374	5,154	1.64	8,447	150	10,226	3,900	3,200	581	3,826	2,500	260-300
Flaxseed												
2003-2004	745	728	1.04	754	20	903	609	n/a	n/a	202	93	382.13
2004-2005	728	528	0.98	517	38	648	468	n/a	n/a	150	30	n/a
2005-2006F	844	811	1.28	1,035	20	1,085	700	n/a	n/a	235	150	305-345
Soybeans												
2003-2004	1,051	1,047	2.17	2,268	587	3,000	914	1,500 ^{1/}	319	1,947	140	395.04
2004-2005	1,229	1,178	2.59	3,048	390	3,578	1,115	1,610 ^{1/}	457	2,193	270	248
2005-2006F	1,176	1,162	2.59	3,007	250	3,527	1,100	1,750 ^{1/}	417	2,277	150	200-240
Total Oilseeds												
2003-2004	6,531	6,464	1.52	9,794	850	11,811	5,277	n/a	n/a	5,693	841	
2004-2005	7,277	6,643	1.70	11,293	535	12,669	4,995	n/a	n/a	5,745	1,929	
2005-2006F	7,394	7,128	1.75	12,489	420	14,838	5,700	n/a	n/a	6,338	2,800	
Total Grains And Oilseeds												
2003-2004	26,263	24,461	2.44	59,663	3,029	72,719	25,541	n/a	n/a	36,156	11,022	
2004-2005	26,038	23,219	2.74	63,595	3,068	77,684	23,659	n/a	n/a	37,681	16,345	
2005-2006F	25,425	23,549	2.66	62,632	2,482	81,459	27,300	n/a	n/a	38,959	15,200	

(a) August - July crop year except corn and soybeans which are September - August.

(b) Excludes imports of products. (c) Includes exports of products for wheat, oats, barley, and rye. Excludes exports of oilseed products.

(d) Total Domestic Use = Food and Industrial Use + Feed Waste & Dockage + Seed Use

(e) Industrial use excludes flaxseed due to data confidentiality.

(f) Crop year average prices: No. 1 CWRS 11.5% protein and No. 1 CWAD 11.5% (CWB final price I/S St. Lawrence/Vancouver), Barley (No. 1 feed, WCE, cash, I/S Lethbridge), Corn (No. 2 CE, cash, I/S Chatham), Oats (US No. 2 Heavy, CBoT nearby futures); Rye (No. 2 Canada, Elevator bids at select western delivery points); Canola (No. 1 Canada, WCE, cash, I/S Vancouver); Flaxseed (No. 1 CW, WCE, cash, I/S Thunder Bay); Soybeans (No. 2, I/S Chatham).

* CWB Pool Return Outlook (PRO) - September 22, 2005

^{1/} Source for Food and Industrial Use is based on data from the Canadian Oilseed Processors Association.

F: forecast - Agriculture and Agri-Food Canada - October 7, 2005

Source: Statistics Canada, Cereals and Oilseeds Review Series, Cat. No. 22-007



CANADA: PULSE AND SPECIAL CROPS OUTLOOK

October 7, 2005

Total Canadian pulse and special crops production is estimated to increase by 2%, from 2004-05, to 5.35 million tonnes (Mt), based on Statistics Canada's (STC) September production estimates and AAFC forecasts where STC estimates were not available. Total supply increased by 15% to 6.74 Mt, due to higher production and higher carry-in stocks. Exports are forecast to increase by 14% and domestic use by 6% due to stronger demand, but carry-out stocks are also expected to increase. Average prices, over all types, grades and markets, are forecast to increase for chickpeas, decrease for dry peas, lentils, dry beans, canary seed and sunflower seed, and be the same for mustard seed and buckwheat.

STC's yield estimates are significantly higher than trend for Ontario, Saskatchewan and Alberta, and much below trend for Manitoba. Crop abandonment is estimated to be near normal, except for Manitoba where significantly higher than normal abandonment is estimated. Although harvest progress was delayed by rain and, in some cases, snow in western Canada, harvesting of dry peas and lentils is nearly complete in most areas. Most of mustard seed, dry beans, and chickpeas, and about half of canary seed and buckwheat have been harvested. The sunflower seed harvest has just started. Overall quality is expected to be better than in 2004-05, but generally lower than normal due to the precipitation in most areas of western Canada during harvest. The unharvested crops are generally sufficiently mature so that frost would not damage them. The main factor to watch is precipitation during the rest of the harvest period in Canada. Other factors to watch are the exchange rates of the Canadian dollar against the US dollar and other currencies, ocean shipping rates, and growing and harvest conditions in major producing regions, especially United States, India and Australia.

DRY PEAS

For 2005-06, production is estimated to decrease by 5%, as a 2% rise in seeded area is more than offset by lower yields. Production is expected to decrease for yellow, green and other types. Supply is estimated to increase by 7% due to higher carry-in stocks. World supply is expected to increase slightly to 12.45 Mt, but use is forecast to increase, resulting in stable carry-out stocks. Canadian exports and domestic use are expected to increase due to stronger demand in the food markets in Asia and in the feed markets in the EU and Canada. Carry-out stocks are forecast to remain stable, with a stocks-to-use (s/u) ratio of 19%. The average price, over all types, grades and markets, is forecast to decrease due to the higher world supply.

LENTILS

For 2005-06, production and supply are estimated to increase significantly, due to an 11% rise in seeded area, higher yields and higher carry-in stocks. Production is expected to increase for large green, small green and red types, but remain stable for the medium green type. World supply is forecast to increase by 15% to 4.49 Mt. Although world use is expected to increase because of higher demand, resulting mostly from lower prices, carry-out stocks are forecast to rise. Canadian exports are expected to increase by 34% due to the higher demand. Carry-out stocks are forecast to rise significantly, with a s/u ratio of 60%. The average price, over all types and grades, is forecast to decrease because of the higher world supply.

DRY BEANS

For 2005-06, production and supply are estimated to increase, due to a 22% rise in seeded area and lower abandonment. Production is expected to increase for white pea, pinto, black, dark and light red kidney, and cranberry beans, but remain stable for Great Northern, small red and pink beans.

US production is estimated to increase by 44% to 1.12 Mt, while supply increases by only 20% to 1.26 Mt due to lower carry-in stocks. Canadian exports are forecast to increase slightly due to higher supply. Carry-out stocks are expected to increase, but remain low. The average price, over all classes and grades, is forecast to decrease due to the higher US and Canadian supply.

CHICKPEAS

For 2005-06, production and supply are estimated to increase, because of a 65% increase in seeded area, lower abandonment and higher yields. Production is expected to increase for large and small kabuli types, but remain stable for the desi type. World supply is expected to increase marginally to 8.97 Mt. Canadian exports are forecast to increase due to the higher supply. Carry-out stocks are expected to increase, but remain low. The average price, over all types, grades and sizes, is forecast to increase due to higher quality and a shift to the production of the higher priced kabuli types.

MUSTARD SEED

For 2005-06, production is estimated to decrease by 31% because of a 32% fall in seeded area. Production is expected to decrease for all types, yellow, brown and oriental. Supply is estimated to increase slightly due to higher carry-in stocks. Although exports are forecast to rise due to higher demand, carry-out stocks are forecast to decrease only slightly, with a s/u ratio of 79%. The average price, over all types and grades, is expected to be the same as in 2004-05 as higher quality offsets pressure from the higher supply.

CANARY SEED

For 2005-06, production is estimated to decrease by 21%, as a 43% fall in seeded area is mostly offset by higher yields. Supply is estimated to increase by 11%, as higher carry-in stocks more than offset the

fall in production. World supply, 90% of which is in Canada, is forecast to increase by 10% to 448,000 t. Although Canadian exports are expected to increase due to higher demand, carry-out stocks are forecast to rise, with a s/u ratio of 83%. The average price is forecast to decrease because of the higher world supply.

SUNFLOWER SEED

For 2005-06, production and supply are estimated to increase due to a 12% rise in seeded area, lower abandonment and higher yields. Production is expected to increase for both types, confectionery and oilseed. US supply is forecast to increase by 49% to 1.62 Mt. World supply is expected to increase by 6% to 29.0 Mt. Canadian exports and domestic use are forecast to increase because of the higher supply. Carry-out stocks are expected to increase slightly, but remain low. The average price, over both types and all grades, is forecast to decrease because of the higher US and Canadian supply.

BUCKWHEAT

For 2005-06, Canadian production is forecast to remain stable, as a lower seeded area is offset by lower abandonment and higher yields. Supply is expected to decrease due to lower carry-in stocks. Exports and domestic use are forecast to decrease, and carry-out stocks are expected to be negligible. The average price is forecast to be the same as in 2004-05.

FURTHER INFORMATION:

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CANADA: PULSE AND SPECIAL CROPS SUPPLY AND DISPOSITION

October 7, 2005

Grain and Crop Year (a)	Area Seeded	Area Harvested	Yield	Production	Imports (b)	Total Supply	Exports (b)	Total Domestic Use (d)	Carry-out Stocks	Average Price (e) \$/t
	000 ha		t/ha							
----- thousand metric tonnes -----										
Dry Peas										
2001-2002	1,344	1,285	1.57	2,023	27	2,245	1,381	589	275	190
2002-2003	1,297	1,050	1.30	1,365	41	1,681	628	743	310	210
2003-2004	1,303	1,271	1.67	2,124	24	2,458	1,316	937	205	175
2004-2005	1,388	1,345	2.48	3,338	56	3,599	1,856	1,148	595	135
2005-2006f	1,410	1,367	2.32	3,172	70	3,837	2,030	1,207	600	110-140
Lentils										
2001-2002	708	664	0.85	566	6	828	478	219	131	320
2002-2003	601	387	0.91	354	9	494	320	119	55	390
2003-2004	554	536	0.97	520	5	580	368	174	38	420
2004-2005	778	750	1.28	962	10	1,010	449	316	245	310
2005-2006f	860	815	1.47	1,200	15	1,460	600	310	550	245-275
Dry Beans										
2001-2002	184	175	1.70	298	42	380	263	82	35	725
2002-2003	230	219	1.89	414	40	489	298	96	95	445
2003-2004	167	167	2.13	356	31	482	344	83	55	495
2004-2005	163	126	1.75	220	28	303	277	21	5	650
2005-2006f	199	168	1.76	295	45	345	280	45	20	535-565
Chickpeas										
2001-2002	486	467	0.97	455	12	497	146	211	140	380
2002-2003	221	154	1.01	156	9	305	105	140	60	300
2003-2004	63	63	1.08	68	2	130	74	36	20	330
2004-2005	47	39	1.31	51	4	75	46	24	5	385
2005-2006f	77	76	1.47	112	5	122	75	37	10	415-445
Mustard Seed										
2001-2002	166	158	0.66	105	3	213	171	9	33	685
2002-2003	289	255	0.60	154	9	196	114	22	60	595
2003-2004	340	328	0.69	226	2	288	121	75	92	390
2004-2005	317	304	1.01	306	1	399	119	86	194	295
2005-2006f	217	212	1.00	212	1	407	140	87	180	280-310
Canary Seed										
2001-2002	170	163	0.70	114	0	184	134	20	30	660
2002-2003	287	227	0.78	176	0	206	164	22	20	575
2003-2004	251	243	0.93	226	0	246	167	12	67	345
2004-2005	356	318	0.95	301	0	368	163	35	170	230
2005-2006f	204	195	1.22	238	0	408	180	43	185	195-225
Sunflower Seed										
2001-2002	73	67	1.55	104	29	179	92	65	22	355
2002-2003	100	95	1.65	157	21	200	105	60	35	440
2003-2004	119	115	1.30	150	16	201	96	80	25	405
2004-2005	87	59	0.92	54	35	114	32	64	18	490
2005-2006f	98	83	1.34	111	25	154	60	74	20	370-400
Buckwheat										
2001-2002	14	14	1.14	16	1	17	6	8	3	325
2002-2003	12	12	1.00	12	1	16	6	7	3	340
2003-2004	9	9	1.11	10	1	14	5	7	2	355
2004-2005	9	7	0.71	5	1	8	4	4	0	355
2005-2006f	7	5	1.00	5	1	6	3	3	0	340-370
Total Pulse And Special Crops (c)										
2001-2002	3,131	2,993	1.23	3,681	120	4,543	2,671	1,203	669	
2002-2003	3,025	2,399	1.16	2,788	130	3,587	1,740	1,209	638	
2003-2004	2,797	2,732	1.35	3,680	81	4,399	2,491	1,404	504	
2004-2005	3,136	2,948	1.78	5,237	135	5,876	2,946	1,698	1,232	
2005-2006f	3,070	2,921	1.83	5,345	162	6,739	3,368	1,806	1,565	

(a) August-July crop year.

(b) Excludes products.

(c) Includes Pulse Crops (dry peas, lentils, dry beans, chick peas) and Special Crops (mustard seed, canary seed, sunflower seed, buckwheat)

(d) Includes food, feed, seed, waste and dockage. Total domestic use is calculated residually.

(e) Producer price, FOB plant. Average over all types, grades and markets.

f: forecast, Agriculture and Agri-Food Canada, October 7, 2005

Source: Statistics Canada and industry consultations.

A. SELLING PRICE OF BULK FEED INGREDIENTS AT SELECTED POINTS

October 3, 2005

SELECTED POINT	REFERENCE PERIOD	PRICE BASIS	(1) WHEAT	OATS	BARLEY	CORN	PRICE BASIS	SOYBEAN MEAL	CANOLA MEAL	MILL-FEEDS	MEAT MEAL	FISH MEAL	ANIMAL FAT	GLUTEN MEAL	GLUTEN FEED	FEED PEAS	DEHY ALFALFA	FEATHER MEAL
Vancouver	October 3, 2005	FOB	N/A	N/A	N/A	133.00		256.00	150.00	108.00		850.00	460.00					405.00
BC	September 26, 2005	FOB	N/A	N/A	N/A	134.00		264.00	147.00	108.00		850.00	460.00					415.00
Calgary	October 3, 2005	FOB	N/A	N/A	N/A	N/A		250.50			130.00	975.00	495.00					390.00
AB	September 26, 2005	FOB	N/A	N/A	N/A	N/A		255.00			135.00	975.00	495.00					390.00
Saskatoon	October 3, 2005	FOB	89.50	118.00	81.00	N/A		261.00	N/A		140.00	N/A	495.00			113.67		430.00
SK	September 26, 2005	FOB	88.50	118.00	81.50	N/A		245.00	N/A		290.00	1037.50	525.00			113.67		370.00
Winnipeg	October 3, 2005	FOB	132.50	140.00	108.50	N/A		251.00	N/A		290.00	1037.50	525.00					370.00
MB	October 3, 2005	In-Store	132.50	140.00	108.50	N/A												
Thunder Bay	October 3, 2005	In-Store	109.00	N/A	104.15													
ON	September 26, 2005		105.50	N/A	104.75													
Lake Ports	October 3, 2005	On Board				82.51												
USA	September 26, 2005	Vessel				87.05												
Bay Ports	October 3, 2005	In-Store	139.00	200.00	124.00													
ON	September 26, 2005		139.00	200.00	118.00													
Chatham	October 3, 2005	Track				110.07												
ON	September 26, 2005					105.65												
Toronto	October 3, 2005	N/A									193.00	N/A	460.00					480.00
ON	September 26, 2005	N/A						246.09	N/A		193.00	N/A	460.00					470.00
Hamilton	October 3, 2005	N/A						256.06	N/A									
ON	September 26, 2005					106.50												
Eastern	October 3, 2005	FOB				101.50												
ON	September 26, 2005																	
London	October 3, 2005	FOB												425.00	114.00			
ON	September 26, 2005													425.00	114.00			
Port Colborne	October 3, 2005	FOB												425.00	114.00			
ON	September 26, 2005													425.00	114.00			
Cardinal	October 3, 2005	FOB												425.00	114.00			
ON	September 26, 2005		150.00	140.00	141.00	115.00		267.51	186.00	63.33	248.00	850.00	443.50	425.00	114.00		270.00	460.00
Montreal	October 3, 2005		150.00	150.00	141.00	120.00		274.73	188.00	61.00	260.00	850.00	438.34	425.00	114.00		270.00	460.00
QC	September 26, 2005		141.80															
Trois-Rivières	October 3, 2005	In-Store	136.00		141.30	116.33												
QC	September 26, 2005		133.50	131.00	123.00	111.00		253.90										
St. Jean QC	October 3, 2005	FOB	133.50	132.50	124.50	112.50		262.35										
(2)	September 26, 2005		144.60	N/A	157.15	118.46		262.01	185.92									
St. Hyacinthe QC	October 3, 2005	In-Store	144.60	N/A	157.15	118.46		273.12	189.97									
Quebec	September 26, 2005		144.67	N/A	157.59	119.92		322.00	258.86									
QC	October 3, 2005	Track	174.10	167.20	154.20	155.85		324.25	258.86									
Truro	September 26, 2005		175.78															
NS	October 3, 2005	Water	N/A	N/A	N/A	N/A												
Truro	September 26, 2005	Water & Truck	N/A	N/A	N/A	N/A												
NS	October 3, 2005	In-Store	N/A	N/A	N/A	N/A		313.50		297.50		1 050.00	N/A					
Halifax	September 26, 2005		N/A	N/A	N/A	N/A		321.00		297.50		1 050.00	N/A					
NS																		

Source: Market Analysis Division, Agriculture and Agri-Food Canada; Thunder Bay prices are based on the Winnipeg Commodity Exchange (WCE) market close
 Contact: André Dombé Statistical Clerk Telephone: (204) 983-0581 Fax: (204) 983-5524 Email: dombea@agr.gc.ca
 US\$1.00=CAN\$1.1611, closing date September 30, 2005
 N/A = not available

Footnotes: All prices in Canadian dollars per metric tonne based on survey respondents.

Grain grades (unless otherwise specified) are: Western or Eastern Feed Wheat, Feed Oats, No. 1 Canada Western or Eastern Barley, No. 2 Canada Yellow Corn, No. 3 US Yellow Corn.
 Soybean Meal 48 % Protein. Canola Meal based on minimum standard of 35% Protein. Fish Meal: white fish and/or herring meal. Gluten Meal 60% Protein. Gluten Feed 21% Protein.

(1) Wheat 3CWRS (2) Canadian Corn #3 or #2 (3) US Corn (4) Fish Meal from West Coast 63% Protein (5) Fish Meal 60% Protein (6) Herring Fish Meal (7) Fraser Valley (8) Wheat & Barley (Basis - Cash Price WCE) (9) Oats 3CW

B. CASH PRICES AND REPLACEMENT VALUES

October 3, 2005

PRAIRIE GRAINS

Selected Points	Price Basis		This week 3-Oct-05	Last week 20-Sep-05	Month ago 6-Sep-05	Year ago 4-Oct-04
From: Thunder Bay(WCE) (2)	In-Store	Wheat	108.00	108.00	107.00	104.00
(CBOT)		Oat	161.50	160.25	142.25	142.60
(Lethbridge)		Barley	107.00	108.00	102.00	111.20
To: Bayport, ON (1)	In-store	Wheat	131.61	131.61	130.61	127.61
		Oat	N/A	N/A	N/A	N/A
		Barley	134.39	135.39	129.39	138.59
Montreal, QC (1)	In-store	Wheat	136.03	136.03	135.03	132.03
		Oat	N/A	N/A	N/A	N/A
		Barley	139.31	140.31	134.31	143.51
Moncton, NB	Truck via Halifax	Wheat	158.25	158.25	157.25	154.25
		Oat	N/A	N/A	N/A	N/A
		Barley	163.50	164.50	158.50	167.70
Truro, NS	Truck via Halifax	Wheat	152.22	152.22	151.22	148.22
		Oat	N/A	N/A	N/A	N/A
		Barley	161.00	162.00	156.00	165.20
Halifax, NS (1)	In-store	Wheat	143.28	143.28	142.28	139.28
		Oat	N/A	N/A	N/A	N/A
		Barley	147.30	148.30	142.30	151.50
Stephenville, NL	Track / Truck via Sydney	Wheat	206.63	206.63	205.63	202.63
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A
Melfort, SK		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Bayport, ON		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Montreal, QC		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Moncton, NB		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Truro, NS		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track / Truck via Sydney	Barley	N/A	N/A	N/A	N/A
Stephenville, NL		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A
Selected Points	Price Basis		This week 3-Oct-05	Last week 20-Sep-05	Last week 6-Sep-05	Year ago 4-Oct-04
Corn						
From: US Lake Port	On Board Vessel		82.51	86.32	94.61	100.81
To: Montreal, QC (1)	In-store		101.55	105.36	113.65	119.85
From: Chicago (IL)	Track		84.79	86.32	101.62	105.78
To: Montreal, QC	Track		113.65	115.18	130.48	134.64
From: Chatham, ON	Track		110.07	105.65	105.65	128.02
To: Montreal, QC	Track		133.94	129.52	129.52	151.89
Soymeal 48% Protein						
From: Hamilton, ON			246.09	256.06	274.58	237.44
To: Montreal, QC	Track		270.42	280.39	298.91	261.77
Moncton, NB	Track		289.17	299.14	317.66	280.52
Truro, NS	Track		292.39	302.36	320.88	283.74
Stephenville, NL	Track / Truck via Sydney		341.02	350.99	369.51	332.37

1. Prices include ONE month of storage and interest charges n/a = not available

2. Thunder Bay prices are based on the Winnipeg Commodities Exchange market close (Cash price)

Source: Market Analysis Division, Agriculture and Agri-Food Canada

Contact: André Doumbé: Statistical Clerk (204) 983-0581 Fax: (204) 983-5524 e-mail: doumba@agr.gc.ca

Footnotes: All prices quoted in Canadian dollars per metric tonne.

Grain grades (unless otherwise specified) are: Canada Western Feed Wheat, Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn.

Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec.

Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable



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November 25, 2005 Volume 18 Number 19

FEED BARLEY: SITUATION AND OUTLOOK

Over the past 20 years, the demand for western Canadian feed barley has shifted dramatically from the export market to the domestic feed market, as the livestock sector in Western Canada expanded and international competition intensified. For 2005-2006, domestic feed demand is expected to be strong, due to larger inventories of cattle and hogs and the partial opening of the United States (US) border to Canadian beef and cattle. However, larger domestic supplies of barley with below average quality, lower US corn prices, and the strong Canadian dollar are projected to depress the Lethbridge feed barley price to \$110 per tonne (/t), the lowest in 10 years. For exports, despite lower world corn prices, world feed barley prices strengthened early in the crop year, because of tighter exportable supplies from major exporters. The strong Canadian Wheat Board (CWB) Pool Return Outlook (PRO) relative to the domestic off-Board price has attracted large deliveries to the CWB which, when combined with less competition overseas and a wider spread of export over domestic prices, has provided export opportunities for Canada.

WORLD COARSE GRAIN MARKET

Lower Coarse Grain Production and Stocks

The world coarse grain market consists mainly of corn, barley, sorghum, oats and rye. For 2005-2006, world coarse grain production is estimated by the United States Department of Agriculture (USDA) to decrease to 946 million tonnes (Mt) from the record of 1,008 Mt set in 2004-2005. Production is estimated to return to trend from the exceptionally larger 2004-2005 crops for almost all major producers. Total world supplies are expected to decrease by 25 Mt from 2004-2005, while consumption is virtually unchanged. As a result, carry-out stocks are projected to decrease by 13% and the stocks-to-use ratio is forecast to drop to 15%, the second lowest in 30 years.

Higher Supplies and Lower Prices in the US

US corn plays a dominant role in the world coarse grain market. US corn production in 2005-2006 is estimated by the USDA at 11.0 billion bushels (Gbu), second only to the record of 11.8 Gbu set in 2004-2005, as a higher harvested area only partially offset lower yields. US corn supplies, however, are expected to increase by 3%, as carry-in stocks more than doubled from 2004-2005. US domestic use is forecast to decrease marginally as a result of lower feed use which is partially offset by the higher demand from ethanol production. US exports, however, are forecast to increase to

2.0 Gbu, from 1.8 Gbu for 2004-2005. Carry-out stocks are expected to increase by 10% to 2.3 Gbu. The average US farm price for corn is currently forecast to decrease from US\$2.06 per bushel (/bu) in 2004-2005 to a midpoint of US\$1.80/bu, pressuring world coarse grain prices.

WORLD BARLEY MARKET

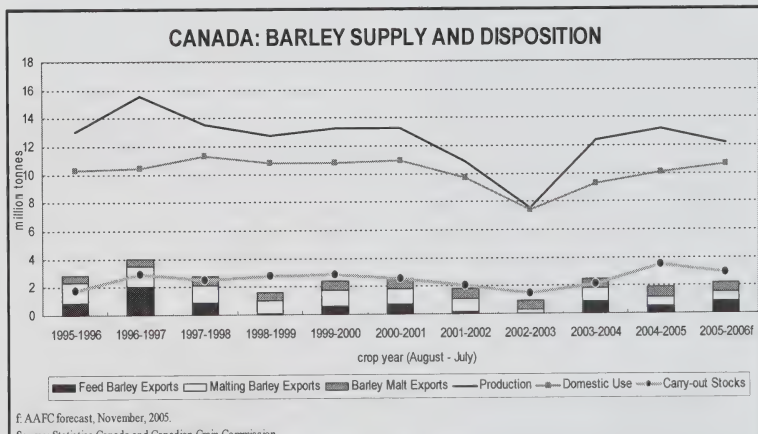
Lower Barley Production

For 2005-2006, world barley production is estimated by the USDA to decrease by 12% from 2004-2005 to 134 Mt. Production is estimated to decrease for the European Union (EU), the Black Sea region, Canada and the US. World supplies are expected to

decrease by 5% to 165 Mt because higher carry-in stocks only partially offset lower production. In response, world barley consumption is projected to decrease to 141 Mt, from 145 Mt in 2004-2005, of which feed barley consumption is forecast to decrease from 99 Mt to 96 Mt. As a result, world carry-out stocks are expected to decrease by 7 Mt from last year to 24 Mt and the stocks-to-use ratio is expected to decrease to 17%, from 22% in 2004-2005 and the 5-year average of 19%.

Lower World Trade

World barley trade is forecast by the USDA to decrease to 16.2 Mt, from 17.5 Mt for 2004-2005 and the five year average of



16.8 Mt. World feed barley exports are forecast by Agriculture and Agri-Food Canada (AAFC) to decrease from 12.5 Mt for 2004-2005 to 11.5 Mt. Among the major exporters, Russia and Ukraine are expected to export a combined 4.8 Mt of feed barley, followed by 3.0 Mt from Australia, 2.2 Mt from the EU and 0.9 Mt from Canada. For the major import markets, Saudi Arabia is forecast to import 6 Mt, followed by 2.4 Mt to other Middle East countries and 1.1 Mt to each of Japan and North Africa. Within the Middle East and North African market, import demand is expected to grow substantially for Algeria, while imports into Iran, Tunisia and Syria decrease sharply.

CANADIAN PRODUCTION AND SUPPLIES

Lower Barley Production but Slightly Higher Supplies

For 2005-2006, Canadian barley production is estimated by Statistics Canada at 12.1 Mt, down 8% from 2004-2005, due to a 4% decrease each in yields and harvested area. In western Canada, production decreased by nearly 50% in Manitoba and 9% in Alberta, while the crop in Saskatchewan is 5% larger. Excess moisture problems in southern Manitoba prevented the completion of seeding and damaged fields that were seeded, leading to an overall reduction in yield potential. Total supplies for Canada, however, increased by 2% to 15.7 Mt, as a result of higher carry-in stocks

Below Average Crop Quality and Larger Feed Barley Supplies

The quality of the 2005-2006 barley crop in Canada is expected to be below average. The western Canadian crop has been negatively impacted by rain during harvest in Saskatchewan and Alberta. The quality characteristic that is affected the most is the germination rate. In addition, rain may also have resulted in lower plumpness, high moisture content, bleached or stained kernel and diseases. Depending on the growing stage, protein content could be high for the later planted crop. The crop is also very heterogeneous, due to the interruptions of planting in spring and harvesting in fall. The rains in 2005-2006 affected a much larger area than the frost in 2004-2005 and in each affected area, crop quality is affected to very different degrees in sub-areas.

Low, heterogeneous crop quality reduces the selection rate for malting barley, resulting in larger supplies of low-quality feed barley. The size of the malting barley Pool is projected by AAFC to be smaller than last year and the 10-year average. The

total supply of feed barley is estimated to increase to 13.5 Mt, from 13.0 Mt for 2004-2005.

CANADIAN DOMESTIC DEMAND

Domestic feed consumption has been the dominant use for barley in Canada. With the robust growth of the western Canadian livestock industry, barley feed use (including waste and dockage) has increased by over 35%, from about 7.0 Mt in the early 1990s to 9.3 Mt in 2004-2005. Domestic feed consumption as a percentage of total use has grown from 60% to 78%. Exports, including exports of feed barley, malting barley and barley malt, have decreased from 35% to about 20%. This decline is due solely to the lower feed barley component in barley exports.

For 2005-2006, domestic feed use is expected to increase from 9.3 Mt last year to 9.8 Mt. Cattle and hog inventories have increased from a year ago. The opening of the US border to Canadian beef and live cattle of less than 30 months of age and lower availability of feed quality wheat are expected to raise feed barley demand. In addition, shipments of feed barley from western to eastern Canada are expected to increase, as Canadian corn production declined to 8.5 Mt, the lowest since 2000-2001.

The impact of the on-going countervailing and anti-dumping investigation is as yet not influencing prices for corn and feed barley. It is anticipated that a decision against the US will support prices in Canada.

CANADIAN EXPORTS

The Downward Trend in Feed Barley Exports

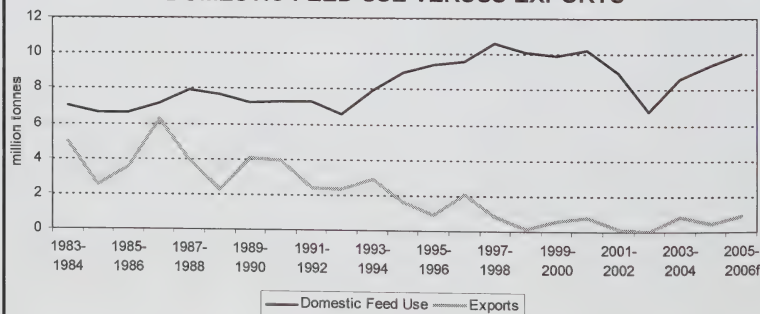
Canadian feed barley exports have decreased significantly in the past 20 years, from over 6.0 Mt in 1986-1987 to an annual average of 450 thousand tonnes (kt) in the 2000s. Among the major factors contributing to this structural change are: (1) the removal of the *Western Grain Transportation Act* subsidy, (2) the rapid expansion of the livestock sector in western Canada and (3) intensified overseas competition, particularly from the EU and, more recently, Ukraine and Russia (Black Sea Region). The livestock sector in western Canada has become the largest user of feed barley and generally offers a higher return to farmers than the export market. Meanwhile, shipments of feed barley from the Prairies to other parts of Canada decreased substantially, following the elimination of the Feed Freight Assistance Program.

Canadian feed barley exports fell to the lowest levels in 2001-2002 and 2002-2003, following two consecutive years of drought-reduced production. However, exports rebounded to 0.8 Mt in 2003-2004 and 0.5 Mt in 2004-2005. For 2004-2005, limited exportable supplies from Australia and the US, light competition from the Black Sea Region and the EU, and a steady decline in ocean freight rates have raised export prices for North America and combined to provide sales opportunities for Canada. The majority of Canadian exports were made in the last half of the crop year.

Higher Exports Forecast for 2005-2006

For 2005-2006, Canadian feed barley exports are forecast to increase to 0.9 Mt,

CANADIAN FEED BARLEY: DOMESTIC FEED USE VERSUS EXPORTS



F: AAFC forecast, November 2005

Source: Statistics Canada, Canadian Grain Commission, November 2005

with the vast majority shipped from Pool A, covering August 2005 to January 2006. For the early months of this pooling period, the heat and dry conditions in the EU and the Black Sea Region reduced exportable supplies. Carry-in stocks were lower and production was anticipated to drop in Australia. The US harvested their smallest barley crop since 1926. Tight supplies worldwide raised export prices and provided excellent opportunities for Canada. For the pooling period of Pool B (February-July 2006), exports are forecast to decrease significantly from Pool A due mainly to a much larger than previously expected barley crop in Australia.

MAJOR CANADIAN EXPORT MARKETS

Saudi Arabia is the world's largest feed barley importer, with annual imports of 6.0 Mt or more than 50% of world trade. The sheep and goat industry in Saudi Arabia has been growing by 3% annually and this trend is expected to continue into the future. This expansion has been driven mainly by rapid population growth, although per capita disappearance is stable at 7 kilograms. Consequently, the demand for feed barley has trended higher with moderate fluctuations, driven by changes in the local grassland and forage situation.

The Saudi Arabian market was dominated by supplies from Australia in the early 1980s. Canada and the US replaced Australia in the late 1980s, with record exports of 2.3 Mt from the US and 1.9 Mt from Canada in 1986. In the 1990s, the EU became the largest exporter to this market. For the 2000s, although the EU and Australia continue to be the top suppliers, their status has been challenged by Ukraine and Russia, with a combined market share of over 40% in 2002-2003. For 2005-2006, feed barley imports to Saudi Arabia are forecast by the USDA to remain at 6.0 Mt. Canada is forecast to export 0.5 Mt to Saudi Arabia.

Japan is the world's second largest feed barley importer. Although corn is the dominant feed ingredient in Japan, barley is an important component of feed for Wagyu cattle, producing beef with a white, firm marbling of fat preferred by Japanese consumers. Barley is imported into Japan by one of two ways: (1) duty-free imports by the government on behalf of the licensed processors and (2) the Simultaneous Buy and Sell (SBS) system which allows end-users to tender directly and specify the quantity, quality and timing of transactions.

The SBS system is increasingly gaining popularity and accounted for over 60% of Japan's total barley imports in 2003-2004.

Japanese feed barley imports have dropped by over 20% in recent years from 1.4 Mt in 1998-1999 to 1.1 Mt in 2004-2005. This is attributed to higher meat imports, the BSE problems and an economic slowdown. As a result, Japan's share in the world import market has dropped from 15% to about 10%. For 2005-2006, feed barley imports into Japan are forecast by AAFC to remain at 1.1 Mt. Australia will continue to be the dominant supplier to the market, although its export volumes are expected to be below average. Imports from the US are also projected to decrease. For Canada, feed barley exports are forecast at 0.30 Mt, up significantly from 2004-2005.

EXPORT COMPETITION

Australia, the EU, the Black Sea Region and the US are the major competitors for Canadian feed barley exports in the world markets.

Australian barley production in 2005-2006 is forecast by the Australian Bureau of Agricultural and Resource Economics to increase by over 30% from 2004-2005 to 8.4 Mt. Total supplies are expected to increase by 20% to 9.0 Mt due to a 40% decrease in carry-in stocks. Total domestic use of feed barley is forecast at 2.3 Mt. Consequently, feed barley exports are forecast to increase from 2.8 Mt last year to 3.0 Mt.

The dry, warm summer and fall in the eastern states and South Australia has significantly lowered the anticipated 2005-2006 crop in Australia. Lower production expectations and tight carry-in stocks were among the major factors supporting world prices and providing export opportunities for Canada during late 2004-2005 and early 2005-2006. However, the above average rainfall in June provided an opportunity for late winter crop plantings and aided crops that had been dry sown, boosting production expectations to a level significantly higher than anticipated early in the crop year.

The emergence of the **Black Sea Region** as major exporters has pressured world prices because they are the least cost producers and enjoy the lowest freight costs to the Middle East and North Africa. Their market share has increased significantly in the last few years. For 2005-2006, exports from Ukraine are forecast by the USDA to be close to last year's 4.0 Mt, as large carry-

in stocks and reduced domestic use offset significantly lower production. Exports from Russia, however, are forecast to decrease from 1.5 Mt last year to 0.8 Mt, due to lower production. Lower exports from the region are expected to support world prices.

EU barley production in 2005-2006 is estimated by USDA to decrease by 14% from 2004-2005 to 53.0 Mt. With the exception of Denmark, production is estimated to decrease for all other major EU producers. The dry conditions in Spain are estimated to reduce barley output by 20%. Total EU supplies are expected to decrease by 3% as lower production more than offsets higher carry-in stocks. EU barley consumption is expected to decrease only marginally and carry-out stocks are forecast to drop by 27%. EU feed barley exports are forecast by AAFC to decrease from 2.7 Mt in 2004-2005 to 2.2 Mt. Due to lower exportable supplies and less competition from the Black Sea Region, the EU is expected to be less aggressive in subsidizing exports than in 2004-2005.

Barley production in the **US** has trended lower in the long-run, due to competition from other crops. For 2005-2006, US barley production decreased by 24% from 2004-2005 to 4.6 Mt, the lowest since 1926. Domestic consumption is forecast to drop by 16% to 4.8 Mt, due mainly to lower feed consumption. Total exports are forecast to drop by 60% from last year to 0.3 Mt and Canada is expected to pick up much of the market unfilled by the US.

PRICE OUTLOOK

Domestic Prices: Historically Low but Stronger Relative to US Corn

For 2005-2006, Canadian domestic feed barley prices are expected to be pressured by: (1) large carry-in stocks of low quality barley, (2) below average new crop quality, (3) lower US farm prices for corn and (4) the strength in the Canadian dollar. On the other side, prices are expected to be supported by: (a) lower western barley production, (b) stronger feed demand from the cattle and hog sectors, (c) higher demand for exports overseas. High energy costs and logistic constraints are expected to keep transportation costs high, pressuring on-farm returns and lifting feedlot prices.

For the crop-year-to-date (August-October 2005), Chicago Board of Trade (CBOT) corn nearby futures prices averaged US\$80/ft, down 4% from the same period a year ago. For the same period, the Canadian dollar appreciated by 6%, from

CAN\$1.27/US\$ to CAN\$1.19/US\$. As a result, CBoT corn nearby prices in Canadian dollars decreased by 9%, from CAN\$103/t to CAN\$94/t. Western Canadian feed barley prices, in-store Lethbridge for No. 1 Canada Western (CW), averaged \$107/t, only 4% lower than a year ago, suggesting strong feed barley prices in western Canada, relative to corn prices in the US.

For 2005-2006, the Lethbridge feed barley price is forecast to average \$110/t, slightly lower than \$112/t for 2004-2005 and significantly lower than the 5- and 10-year average of \$141/t and \$137/t, respectively.

Export Prices: Historically Low but Stronger than Domestic Prices

Canada is a minor player and price taker in the world feed barley market. World feed barley prices in 2005-2006 are expected to be supported by: (1) lower world barley production and tighter exportable supplies from the EU, Australia, the US and Russia, (2) tighter world coarse grain supplies, (3) a steady demand from major importing regions and (4) less aggressive use of export subsidies by the EU. World prices are expected to be pressured by lower US corn prices. Canadian feed barley export prices are being further depressed by the strength in the Canadian dollar.

For the crop-year-to-date, PNW feed barley prices have averaged US\$122/t, 17% higher than a year ago. In Canadian dollars, the price increased by 10%, from CAN\$132/t a year ago to CAN\$145/t. To date, the spread between the PNW and Lethbridge price has

averaged CAN\$38/t, compared to CAN\$20/t a year ago. This spread, as well as decreases in the other major exporters' supplies, has provided good sales opportunities for Canada.

For the remainder of 2005-2006, the PNW feed barley price is expected to average about CAN\$135/t, \$6/t below current prices, following the arrival of the new crop from Australia. Canadian feed barley exports for Pool B are expected to decrease significantly compared to Pool A. The annual average PNW feed barley price is forecast at CAN\$140-145/t for 2005-2006, compared to CAN\$139/t for 2004-2005 and the five year average of CAN\$169/t.

The Imperfect Substitution of Corn for Barley

The strength of the PNW barley export price, relative to both domestic prices in Canada and corn prices in the US, is reflective of the imperfect substitution of corn for feed barley in both North America and world feed grain markets. A varied feed value for various animals, different feeding traditions/practices, special requirements, and logistic constraints are among the major elements underlying this imperfect substitution.

CWB PRO

The CWB November PRO for No. 1 CW Feed Barley, Pool A is \$126/t, in-store Vancouver/St. Lawrence, versus \$117/t for Pool A of 2004-2005. For Alberta, the on-farm return from deliveries to Pool A average \$77/t, close to that from off-Board deliveries. In 2004-2005, the on-farm return

from the off-Board market was \$14/t higher than for Board deliveries. The strength of the current CWB PRO is attracting Board deliveries from larger areas in the province

For Pool B, the PRO is forecast by the CWB at \$118/t, compared to \$129/t for Pool B of 2004-2005. Timely rains have boosted estimates for Australian barley production and the Canadian dollar is projected to remain strong, pressuring exports prices. The average PRO for 2005-2006, weighted by volume, is forecast by AAFC at about \$125/t, compared to \$123/t for 2004-2005.

The shorter pooling period, created by splitting the crop year into Pool A and B, and new farm delivery programs and options have put the CWB in a better position to take advantage of sales opportunities, increase farm returns and better manage price risk.

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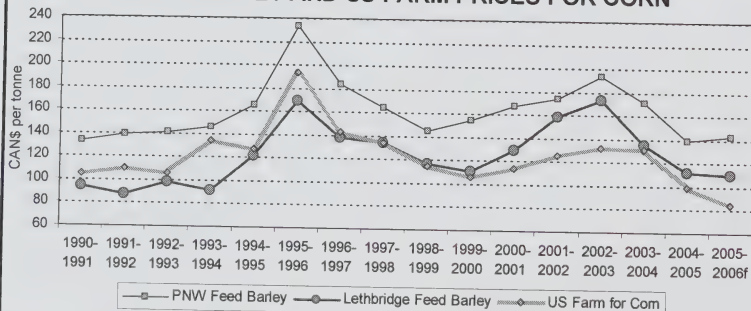
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CANADIAN DOMESTIC AND EXPORT PRICES FOR FEED BARLEY AND US FARM PRICES FOR CORN



f: AAFC forecast, November 2005

Source: United States Department of Agriculture, Chicago Board of Trade and Winnipeg Commodity Exchange, November 2005

While the Market Analysis Division assumes responsibility for all information contained in this bulletin,
we wish to gratefully acknowledge input from the following:

Saskatchewan Wheat Pool, Canadian International Grains Institute, Canadian Wheat Board,
Grain Policy Division (AAFC), Market and Industry Services Branch (AAFC)

A. SELLING PRICE OF BULK FEED INGREDIENTS AT SELECTED POINTS

November 28, 2005

SELECTED POINT	REFERENCE PERIOD	PRICE BASIS	(1) WHEAT	OATS	BARLEY	CORN	PRICE BASIS	SOYBEAN MEAL	CANOLA MEAL	MILL-FEEDS	MEAT MEAL	FISH MEAL	ANIMAL FAT	GLUTEN MEAL	GLUTEN FEED	FEED PEAS	DEHY ALFALFA	FEATHER MEAL
Vancouver (4) (7)	November 28, 2005	FOB	135.00	N/A	130.00	132.50		255.75	147.00	117.00		900.00	460.00					405.00
BC (4) (7)	November 21, 2005	FOB	126.00	N/A	128.00	130.00		268.00	153.00	115.00		875.00	460.00					415.00
Calgary	November 28, 2005	FOB	105.00	N/A	107.00	125.00		252.75			150.00	1000.00	495.00					410.00
AB (4)	November 21, 2005		104.00	N/A	104.00	125.00		264.00			150.00	1000.00	495.00					400.00
Saskatoon	November 28, 2005	FOB	98.00	120.00	84.50	120.00		257.25	N/A		150.00	N/A	495.00		112.67			440.00
SK (4)	November 21, 2005		90.50	120.00	79.50	120.00		268.00	N/A		150.00	N/A	495.00		116.00			430.00
Winnipeg	November 28, 2005	FOB	139.00	140.00	112.50	108.00		244.83	N/A		290.00	1012.50	525.00					365.00
MB (4) (9)	November 21, 2005		136.50	140.00	110.00	110.00		252.33	N/A		290.00	962.50	525.00					365.00
Thunder Bay	November 28, 2005	In-Store	121.50	N/A	109.50													
ON (8)	November 21, 2005		119.75	N/A	108.50													
Lake Ports	November 28, 2005	On Board				85.04												
USA (3)	November 21, 2005	Vessel				87.05												
Bay Ports	November 28, 2005	In-Store	145.00	185.00	130.00													
ON	November 21, 2005		145.00	185.00	130.00													
Chatham	November 28, 2005	Track				103.43												
ON	November 21, 2005					109.97												
Toronto	November 28, 2005	N/A																
ON (5)	November 21, 2005																	
Hamilton	November 28, 2005	N/A						253.64	N/A		182.00	N/A	440.00	425.00	114.00		280.00	340.00
ON	November 21, 2005							256.01	N/A		182.00	N/A	440.00	425.00	114.00		280.00	340.00
Eastern	November 28, 2005	FOB				105.50												
ON	November 21, 2005					102.00												
London	November 28, 2005	FOB																
ON	November 21, 2005													425.00	114.00			
Port Colborne	November 28, 2005	FOB								67.00				425.00	114.00			
ON	November 21, 2005									64.50				425.00	114.00			
Cardinal	November 28, 2005	FOB												425.00	114.00			
ON	November 21, 2005													425.00	114.00			
Montreal	November 28, 2005		155.00	150.00	145.00	125.00		248.63	182.38	79.33	400.00	850.00	472.00	425.00	114.00		270.00	400.00
QC (5)	November 21, 2005		155.00	140.00	142.00	125.00	FOB	253.43	183.38	78.33	400.00	850.00	472.00	425.00	114.00		270.00	400.00
Trois-Rivières	November 28, 2005	In-Store	157.50		144.00	120.76												
QC	November 21, 2005		152.00		148.00	120.56												
St. Jean QC (2)	November 28, 2005	FOB	140.50	138.50	130.00	120.50		247.55										
St. Hyacinthe QC	November 21, 2005		138.50	131.50	125.50	118.00		260.56										
Quebec	November 28, 2005	In-Store	155.50	N/A	159.65	124.03		251.91	211.07									
QC	November 21, 2005		154.67	N/A	159.28	125.02		260.89	204.32									
Truro	November 28, 2005	Track	185.23		167.20	160.40		310.90	258.86									330.00
NS	November 21, 2005		183.13		167.20	156.73	FOB	319.77	258.86									330.00
Truro	November 28, 2005	Water	N/A	N/A	N/A	N/A												
NS	November 21, 2005	& Truck	N/A	N/A	N/A	150.55		336.00		297.50		1 050.00	N/A					
Halifax	November 28, 2005	In-Store	N/A	N/A	N/A	150.55		336.00		297.50		1 050.00	N/A					
NS (6)	November 21, 2005		N/A	N/A	N/A	151.00		336.00		297.50		1 050.00	N/A					

Source: Market Analysis Division, Agriculture and Agri-Food Canada; Thunder Bay prices are based on the Winnipeg Commodity Exchange (WCE) market close

US\$1.00 = CAN\$ 1.1692

closing date
Nov.25/2005

Contact: André Dombé Statistical Clerk Telephone: (204) 983-0581 Fax: (204) 983-5524 Email: dombes@agr.gc.ca

N/A = not available

Footnotes: All prices in Canadian dollars per metric tonne based on survey respondents.

Grain grades (unless otherwise specified) are: Western or Eastern Feed Wheat Feed Oats. No.1 Canada Western or Eastern Barley No.2 Canada Yellow Corn No.3 US Yellow Corn. Soybean Meal 48 % Protein. Canola Meal based on minimum standard of 35% Protein. Fish Meal: white fish and/or herring meal. Gluten Meal 60% Protein. Gluten Feed 21% Protein.

(1) Wheat 3CWRS (2) Canadian Corn #3 or #2 (3) US Corn (4) Fish Meal from West Coast 63% Protein (5) Fish Meal 60% Protein (6) Herring Fish Meal (7) Fraser Valley (8) Wheat & Barley (Basis - Cash Price WCE) (9) Oats 3CW

B. CASH PRICES AND REPLACEMENT VALUES

November 28, 2005

PRAIRIE GRAINS

Selected Points	Price Basis		This week 28-Nov-05	Last week 14-Nov-05	Month ago 31-Oct-05	Year Ago 29-Nov-04
From: Thunder Bay(WCE) (2)	In-Store	Wheat	122.00	118.00	115.00	82.20
(CBOT)		Oat	180.50	167.75	162.75	149.60
(Lethbridge)		Barley	110.00	109.00	108.40	114.00
To: Bayport, ON (1)	In-store	Wheat	145.61	141.61	138.61	105.81
		Oat	N/A	N/A	N/A	N/A
		Barley	137.39	136.39	135.79	141.39
Montreal, QC (1)	In-store	Wheat	150.03	146.03	143.03	110.23
		Oat	N/A	N/A	N/A	N/A
		Barley	142.31	141.31	140.71	146.31
Moncton, NB	Truck via Halifax	Wheat	172.25	168.25	165.25	132.45
		Oat	N/A	N/A	N/A	N/A
		Barley	166.50	165.50	164.90	170.50
Truro, NS	Truck via Halifax	Wheat	166.22	162.22	159.22	126.42
		Oat	N/A	N/A	N/A	N/A
		Barley	164.00	163.00	162.40	168.00
Halifax, NS (1)	In-store	Wheat	157.28	153.28	150.28	117.48
		Oat	N/A	N/A	N/A	N/A
		Barley	150.30	149.30	148.70	154.30
Stephenville, NL	Track / Truck via Sydney	Wheat	220.63	216.63	213.63	180.83
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A
Melfort, SK		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Bayport, ON		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Montreal, QC		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Moncton, NB		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Truro, NS		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track / Truck via Sydney	Barley	N/A	N/A	N/A	N/A
Stephenville, NL		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A

Selected Points	Price Basis		This week 28-Nov-05	Last week 14-Nov-05	Month Ago 31-Oct-05	Year Ago 29-Nov-04
Corn						
From: US Lake Port	On Board Vessel		85.04	84.93	86.25	95.48
To: Montreal, QC (1)	In-store		104.08	103.97	105.29	114.52
From: Chicago (IL)	Track		92.17	93.59	87.88	79.73
To: Montreal, QC	Track		121.03	122.45	116.74	108.59
From: Chatham, ON	Track		103.43	103.75	107.12	104.48
To: Montreal, QC	Track		127.30	127.62	130.99	128.35

Soymeal 48% Protein

From: Hamilton, ON			253.64	256.01	260.36	242.73
To: Montreal, QC	Track		277.97	280.34	284.69	267.06
Moncton, NB	Track		296.72	299.09	303.44	285.81
Truro, NS	Track		299.94	302.31	306.66	289.03
Stephenville, NL	Track / Truck via Sydney		348.57	350.94	355.29	337.66

1. Prices include ONE month of storage and interest charges n/a = not available

2. Thunder Bay prices are based on the Winnipeg Commodities Exchange market close (Cash price)

Source: Market Analysis Division, Agriculture and Agri-Food Canada

Contact: André Doumbé: Statistical Clerk (204) 983-0581 Fax: (204) 983-5524 e-mail: doumbea@agr.gc.ca

Footnotes: All prices quoted in Canadian dollars per metric tonne.

Grain grades (unless otherwise specified) are: Canada Western Feed Wheat, Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn.

Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec.

Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable

A. SELLING PRICE OF BULK FEED INGREDIENTS AT SELECTED POINTS

November 14, 2005

SELECTED POINT	REFERENCE PERIOD	PRICE BASIS	(1) WHEAT	OATS	BARLEY	CORN	PRICE BASIS	SOYBEAN MEAL	CANOLA MEAL	MILL-FEEDS	MEAT MEAL	FISH MEAL	ANIMAL FAT	GLUTEN MEAL	GLUTEN FEED	FEED PEAS	DEHY ALFALFA	FEATHER MEAL
Vancouver	November 14, 2005	FOB	126.00	N/A	128.00	133.00		275.00	161.00	112.00		862.50	460.00					415.00
BC (4) (7)	November 07, 2005		126.00	N/A	128.00	131.00		257.50	148.00	112.00		862.50	460.00					415.00
Calgary	November 07, 2005	FOB	104.00	N/A	104.00	125.00		268.00			160.00	975.00	495.00					390.00
AB (4)	November 07, 2005		104.00	N/A	104.00	128.00		251.00			160.00	975.00	495.00					390.00
Saskatoon	November 07, 2005	FOB	90.50	120.00	79.50	120.00		273.50	N/A		160.00	N/A	495.00			116.00		430.00
SK (4)	November 07, 2005		90.50	120.00	79.50	120.00		257.00	N/A		160.00	N/A	495.00			116.00		430.00
Winnipeg	November 14, 2005	FOB	136.50	140.00	110.00	108.00		256.33	N/A		290.00	962.50	525.00					365.00
MB (4) (9)	November 07, 2005		136.50	140.00	110.00	108.00		245.00	N/A		290.00	962.50	525.00					370.00
Thunder Bay	November 14, 2005	In-Store	118.00	N/A	107.75													
ON (8)	November 07, 2005		117.00	N/A	108.00													
Lake Ports	November 14, 2005	On Board				86.73												
USA (3)	November 07, 2005	Vessel				87.05												
Bay Ports	November 14, 2005	In-Store	145.00	185.00	130.00													
ON	November 07, 2005		140.00	195.00	124.00													
Chatham	November 14, 2005	Track				106.63												
ON	November 07, 2005					109.97												
Toronto	November 14, 2005	N/A																
ON (5)	November 07, 2005																	
Hamilton	November 14, 2005	N/A																
ON	November 07, 2005																	
Eastern	November 14, 2005	FOB				103.00												
ON	November 07, 2005					102.00												
London	November 14, 2005	FOB																
ON	November 07, 2005																	
Port Colborne	November 14, 2005	FOB																
ON	November 07, 2005																	
Cardinal	November 14, 2005	FOB																
ON	November 07, 2005																	
Montreal	November 14, 2005		155.00	142.00	142.00	125.00		258.19	183.38	75.00	400.00	850.00	472.00				270.00	400.00
QC (5)	November 07, 2005		155.00	142.00	142.00	125.00		250.78	183.38	70.00	400.00	850.00	450.00				270.00	400.00
Trois-Rivières	November 14, 2005	In-Store	151.50		146.50	122.24												
QC	November 07, 2005		150.50		147.00	122.24												
St. Jean QC (2)	November 14, 2005	FOB	137.00	133.50	127.00	117.00		270.90										
St. Hyacinthe QC	November 07, 2005		136.00	133.50	121.00	116.00		265.56										
Quebec	November 14, 2005	In-Store	153.50	N/A	158.72	125.58		268.13	203.17									
QC	November 07, 2005		153.17	N/A	158.90	125.44		262.65	201.93									
Truro	November 14, 2005	Track	182.88		167.20	154.62		313.96	258.86									350.00
NS	November 07, 2005		178.25		167.20	159.35		308.91	258.86									360.00
Truro	November 14, 2005	Water		N/A	N/A	N/A												
NS	November 07, 2005	& Truck	N/A	N/A	N/A	N/A												
Halifax	November 14, 2005	In-Store	N/A	N/A	N/A	158.00		336.00		297.50		1 050.00	N/A					
NS (6)	November 07, 2005		N/A	N/A	N/A	158.00		299.75		297.50		1 050.00	N/A					

Source: Market Analysis Division, Agriculture and Agri-Food Canada; Thunder Bay prices are based on the Winnipeg Commodity Exchange (WCE) market close
Contact: André Doumbe Statistical Clerk Telephone: (204) 983-0581 Fax: (204) 983-5524 Email: doumbea@agr.gc.ca
US\$1.00=CANS\$1.1877, closing date November 11, 2005
N/A = not available

Footnotes: All prices in Canadian dollars per metric tonne based on survey respondents.

Grain grades (unless otherwise specified) are: Western or Eastern Feed Wheat. Feed Oats No. 1 Canada Western or Eastern Barley No. 2 Canada Yellow Corn. No. 3 US Yellow Corn.
Soybean Meal 48 % Protein. Canola Meal based on minimum standard of 35% Protein. Fish Meal: white fish and/or herring meal. Gluten Meal 60% Protein. Gluten Feed 21% Protein.

(1) Wheat 3CWRS (2) Canadian Corn #3 or #2 (3) US Corn (4) Fish Meal from West Coast 63% Protein (5) Fish Meal 60% Protein (6) Herring Fish Meal (7) Fraser Valley (8) Wheat & Barley (Basis - Cash Price WCE) (9) Oats 3CW

B. CASH PRICES AND REPLACEMENT VALUES

November 14, 2005

PRAIRIE GRAINS

Selected Points	Price Basis		This week 14-Nov-05	Last week 31-Oct-05	Month ago 17-Oct-05	Year Ago 15-Nov-04
From: Thunder Bay(WCE) (2)	In-Store	Wheat	118.00	115.00	110.00	97.00
(CBOT)		Oat	167.75	162.75	167.25	146.60
(Lethbridge)		Barley	109.00	108.40	107.50	115.00
To: Bayport, ON (1)	In-store	Wheat	141.61	138.61	133.61	120.61
		Oat	N/A	N/A	N/A	N/A
		Barley	136.39	135.79	134.89	142.39
Montreal, QC (1)	In-store	Wheat	146.03	143.03	138.03	125.03
		Oat	N/A	N/A	N/A	N/A
		Barley	141.31	140.71	139.81	147.31
Moncton, NB	Truck via Halifax	Wheat	168.25	165.25	160.25	147.25
		Oat	N/A	N/A	N/A	N/A
		Barley	165.50	164.90	164.00	171.50
Truro, NS	Truck via Halifax	Wheat	162.22	159.22	154.22	141.22
		Oat	N/A	N/A	N/A	N/A
		Barley	163.00	162.40	161.50	169.00
Halifax, NS (1)	In-store	Wheat	153.28	150.28	145.28	132.28
		Oat	N/A	N/A	N/A	N/A
		Barley	149.30	148.70	147.80	155.30
Stephenville, NL	Track / Truck via Sydney	Wheat	216.63	213.63	208.63	195.63
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A
Melfort, SK		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Bayport, ON		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Montreal, QC		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Moncton, NB		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Truro, NS		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track / Truck via Sydney	Barley	N/A	N/A	N/A	N/A
Stephenville, NL		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A

Selected Points	Price Basis		This week 14-Nov-05	Last week 31-Oct-05	Month Ago 17-Oct-05	Year Ago 15-Nov-04
Corn						
From: US Lake Port	On Board Vessel		86.73	86.25	84.65	96.71
To: Montreal, QC (1)	In-store		105.77	105.29	103.69	115.75
From: Chicago (IL)	Track		89.31	87.88	83.48	80.75
To: Montreal, QC	Track		118.17	116.74	112.34	109.61
From: Chatham, ON	Track		106.63	107.12	109.38	103.77
To: Montreal, QC	Track		130.50	130.99	133.25	127.64

Soymeal 48% Protein

From: Hamilton, ON			266.43	260.36	252.98	226.74
To: Montreal, QC	Track		290.76	284.69	277.31	251.07
Moncton, NB	Track		309.51	303.44	296.06	269.82
Truro, NS	Track		312.73	306.66	299.28	273.04
Stephenville, NL	Track / Truck via Sydney		361.36	355.29	347.91	321.67

1. Prices include ONE month of storage and interest charges n/a = not available

2. Thunder Bay prices are based on the Winnipeg Commodities Exchange market close (Cash price)

Source: Market Analysis Division, Agriculture and Agri-Food Canada

Contact: André Doubbè: Statistical Clerk (204) 983-0581 Fax: (204) 983-5524 e-mail: doumbea@agr.gc.ca

Footnotes: All prices quoted in Canadian dollars per metric tonne.

Grain grades (unless otherwise specified) are: Canada Western Feed Wheat, Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn.

Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec.

Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable

A. SELLING PRICE OF BULK FEED INGREDIENTS AT SELECTED POINTS

October 31, 2005

SELECTED POINT	REFERENCE PERIOD	PRICE BASIS	(1) WHEAT	OATS	BARLEY	CORN	PRICE BASIS	SOYBEAN MEAL	CANOLA MEAL	MILL FEEDS	MEAT MEAL	FISH MEAL	ANIMAL FAT	GLUTEN MEAL	GLUTEN FEED	FEED PEAS	DEHY ALFALFA	FEATHER MEAL
Vancouver	October 31, 2005	FOB	126.00	N/A	128.00	131.00		258.00	148.00	112.00		862.50	460.00					415.00
BC (4) (7)	October 24, 2005		126.00	N/A	128.00	134.50		258.50	147.00	115.00								415.00
Calgary	October 31, 2005	FOB	104.00	N/A	104.00	125.00		251.50			160.00	975.00	495.00					390.00
AB (4)	October 24, 2005		104.00	N/A	104.00	125.00		256.50			160.00	975.00	495.00					390.00
Saskatoon	October 31, 2005	FOB	90.50	120.00	79.50	120.00		257.50	N/A		160.00	N/A	495.00			116.00		430.00
SK (4)	October 24, 2005		90.50	120.00	79.50	120.00		253.50	N/A		160.00	N/A	495.00			116.00		430.00
Winnipeg	October 31, 2005	FOB	135.00	140.00	108.50	110.00		245.67	N/A		290.00	962.50	525.00					370.00
MB (4) (9)	October 24, 2005		135.00	140.00	108.50	110.00		243.00	N/A		290.00	962.50	525.00					370.00
Thunder Bay	October 31, 2005	In-Store	115.00	N/A	108.70													
ON (8)	October 24, 2005		115.00	N/A	108.70													
Lake Ports	October 31, 2005	On Board				82.02												
USA (3)	October 24, 2005	Vessel				87.05												
Bay Ports	October 31, 2005	In-Store	140.00	195.00	124.00													
ON	October 24, 2005		140.00	195.00	124.00													
Chatham	October 31, 2005	Track				108.54												
ON	October 24, 2005					109.97												
Toronto	October 31, 2005	N/A																
ON (5)	October 24, 2005																	
Hamilton	October 31, 2005	N/A						246.69	N/A		187.00	N/A	450.00	425.00	114.00		280.00	455.00
ON	October 24, 2005							252.98	N/A		187.00	N/A	450.00	425.00	114.00		280.00	460.00
Eastern	October 31, 2005	FOB				102.50												
ON	October 24, 2005					103.00												
London	October 31, 2005	FOB												425.00	114.00			
ON	October 24, 2005													425.00	114.00			
Port Colborne	October 31, 2005	FOB												425.00	114.00			
ON	October 24, 2005													425.00	114.00			
Cardinal	October 31, 2005	FOB												425.00	114.00			
ON	October 24, 2005													425.00	114.00			
Montreal	October 31, 2005	FOB	150.00	145.00	142.00	115.00		243.96	168.88	70.67	400.00	850.00	450.00	425.00	114.00		270.00	400.00
QC (5)	October 24, 2005		150.00	140.00	142.00	115.00	FOB	245.17	168.70	68.33	310.00	850.00	434.00	425.00	114.00		270.00	417.50
Trois-Rivières	October 31, 2005	In-Store	150.00		148.40	122.83												
QC	October 24, 2005		150.00		148.40	124.99												
St. Jean QC (2)	October 31, 2005	FOB	127.50	135.00	124.00	111.50		257.20										
St. Hyacinthe QC	October 24, 2005		132.00	132.00	126.50	113.50		258.20										
Quebec	October 31, 2005	In-Store	148.03	N/A	161.67	117.65		253.36	188.07									
QC	October 24, 2005		147.67	N/A	161.30	120.33		255.30	188.60									
Truro	October 31, 2005	Track	178.25		167.20	154.63		305.40	258.86		244.10		N/A					370.00
NS	October 24, 2005		175.58		167.20	155.33	FOB	305.09	258.86		244.10		N/A					390.00
Truro	October 31, 2005	Water	N/A	N/A	N/A	N/A												
NS	October 24, 2005	& Truck	N/A	N/A	N/A	N/A		299.75		297.50		1 050.00	N/A					
Halifax	October 31, 2005	In-Store	N/A	N/A	N/A	N/A		308.00		297.50		1 050.00	N/A					
NS (6)	October 24, 2005		N/A	N/A	N/A	N/A												

Source: Market Analysis Division, Agriculture and Agri-Food Canada; Thunder Bay prices are based on the Winnipeg Commodity Exchange (WCE) market close
Contact: André Droumeau, Statistical Clerk, Telephone: (204) 983-0581 Fax: (204) 983-5524 Email: droumeau@agr.gc.ca
 US\$1.00=CANS\$1.7771, closing date October 28, 2005
 N/A = not available

Footnotes: All prices in Canadian dollars per metric tonne based on survey respondents.
 Grain grades (unless otherwise specified) are: Western or Eastern Feed Wheat, Feed Oats, No.1 Canada Western or Eastern Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn, Soybean Meal 48 % Protein, Canola Meal based on minimum standard of 35% Protein, Fish Meal: white fish and/or herring meal, Gluten Meal 60% Protein, Gluten Feed 21% Protein.

(1) Wheat 3CWSR (2) Canadian Corn #3 or #2 (3) US Corn (4) Fish Meal from West Coast 63% Protein (5) Fish Meal 60% Protein (6) Herring Fish Meal (7) Fraser Valley (8) Wheat & Barley (Basis - Cash Price WCE) (9) Oats 3CW

B. CASH PRICES AND REPLACEMENT VALUES

October 31, 2005

PRAIRIE GRAINS

Selected Points	Price Basis		This week 31-Oct-05	Last week 17-Oct-05	Month ago 3-Oct-05	This week 1-Nov-04
From: Thunder Bay(WCE) (2)	In-Store	Wheat	115.00	110.00	108.00	102.00
(CBOT)		Oat	162.75	167.25	161.50	142.60
(Lethbridge)		Barley	108.40	107.50	107.00	114.00
To: Bayport, ON (1)	In-store	Wheat	138.61	133.61	131.61	125.61
		Oat	N/A	N/A	N/A	N/A
		Barley	135.79	134.89	134.39	141.39
Montreal, QC (1)	In-store	Wheat	143.03	138.03	136.03	130.03
		Oat	N/A	N/A	N/A	N/A
		Barley	140.71	139.81	139.31	146.31
Moncton, NB	Truck via Halifax	Wheat	165.25	160.25	158.25	152.25
		Oat	N/A	N/A	N/A	N/A
		Barley	164.90	164.00	163.50	170.50
Truro, NS	Truck via Halifax	Wheat	159.22	154.22	152.22	146.22
		Oat	N/A	N/A	N/A	N/A
		Barley	162.40	161.50	161.00	168.00
Halifax, NS (1)	In-store	Wheat	150.28	145.28	143.28	137.28
		Oat	N/A	N/A	N/A	N/A
		Barley	148.70	147.80	147.30	154.30
Stephenville, NL	Track / Truck via Sydney	Wheat	213.63	208.63	206.63	200.63
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A
Melfort, SK		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Bayport, ON		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Montreal, QC		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Moncton, NB		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Truro, NS		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track / Truck via Sydney	Barley	N/A	N/A	N/A	N/A
Stephenville, NL		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A

Selected Points	Price Basis		This week 31-Oct-05	Last week 17-Oct-05	Month Ago 3-Oct-05	This week 1-Nov-04
Corn						
From: US Lake Port	On Board Vessel		82.02	84.65	82.51	99.72
To: Montreal, QC (1)	In-store		101.06	103.69	101.55	118.76
From: Chicago (IL)	Track		83.41	83.48	84.79	82.90
To: Montreal, QC	Track		112.27	112.34	113.65	111.76
From: Chatham, ON	Track		108.54	109.38	110.07	111.29
To: Montreal, QC	Track		132.41	133.25	133.94	135.16

Soymeal 48% Protein

From: Hamilton, ON			246.69	252.98	246.09	237.99
To: Montreal, QC	Track		271.02	277.31	270.42	262.32
Moncton, NB	Track		289.77	296.06	289.17	281.07
Truro, NS	Track		292.99	299.28	292.39	284.29
Stephenville, NL	Track / Truck via Sydney		341.62	347.91	341.02	332.92

1. Prices include ONE month of storage and interest charges n/a = not available

2. Thunder Bay prices are based on the Winnipeg Commodities Exchange market close (Cash price)

Source: Market Analysis Division, Agriculture and Agri-Food Canada

Contact: André Dombé: Statistical Clerk (204) 983-0581 Fax: (204) 983-5524 e-mail: doumbea@agr.gc.ca

Footnotes: All prices quoted in Canadian dollars per metric tonne.

Grain grades (unless otherwise specified) are: Canada Western Feed Wheat, Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn.

Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec.

Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable

B. CASH PRICES AND REPLACEMENT VALUES

October 17, 2005

PRAIRIE GRAINS

Selected Points	Price Basis		This week 17-Oct-05	Last week 3-Oct-05	Month ago 20-Sep-05	Year ago 18-Oct-04
From: Thunder Bay(WCE) (2)	In-Store	Wheat	110.00	108.00	108.00	103.00
(CBOT)		Oat	167.25	161.50	160.25	143.20
(Lethbridge)		Barley	107.50	107.00	108.00	111.00
To: Bayport, ON (1)	In-store	Wheat	133.61	131.61	131.61	126.61
		Oat	N/A	N/A	N/A	N/A
		Barley	134.89	134.39	135.39	138.39
Montreal, QC (1)	In-store	Wheat	138.03	136.03	136.03	131.03
		Oat	N/A	N/A	N/A	N/A
		Barley	139.81	139.31	140.31	143.31
Moncton, NB	Truck via Halifax	Wheat	160.25	158.25	158.25	153.25
		Oat	N/A	N/A	N/A	N/A
		Barley	164.00	163.50	164.50	167.50
Truro, NS	Truck via Halifax	Wheat	154.22	152.22	152.22	147.22
		Oat	N/A	N/A	N/A	N/A
		Barley	161.50	161.00	162.00	165.00
Halifax, NS (1)	In-store	Wheat	145.28	143.28	143.28	138.28
		Oat	N/A	N/A	N/A	N/A
		Barley	147.80	147.30	148.30	151.30
Stephenville, NL	Track / Truck via Sydney	Wheat	208.63	206.63	206.63	201.63
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A
Melfort, SK		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Bayport, ON		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Montreal, QC		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Moncton, NB		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Truro, NS		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track / Truck via Sydney	Barley	N/A	N/A	N/A	N/A
Stephenville, NL		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A

Selected Points	Price Basis		This week 17-Oct-05	Last week 3-Oct-05	Month Ago 20-Sep-05	Year ago 18-Oct-04
Corn						
From: US Lake Port	On Board Vessel		85.65	82.51	86.32	103.01
To: Montreal, QC (1)	In-store		104.69	101.55	105.36	122.05
From: Chicago (IL)	Track		84.95	84.79	86.32	105.47
To: Montreal, QC	Track		113.81	113.65	115.18	134.33
From: Chatham, ON	Track		109.97	110.07	105.65	116.27
To: Montreal, QC	Track		133.84	133.94	129.52	140.14

Soymeal 48% Protein

From: Hamilton, ON			252.84	246.09	256.06	237.10
To: Montreal, QC	Track		277.17	270.42	280.39	261.43
Moncton, NB	Track		295.92	289.17	299.14	280.18
Truro, NS	Track		299.14	292.39	302.36	283.40
Stephenville, NL	Track / Truck via Sydney		347.77	341.02	350.99	332.03

- Prices include ONE month of storage and interest charges
- Thunder Bay prices are based on the Winnipeg Commodities Exchange market close (Cash price)

n/a = not available

Source: Market Analysis Division, Agriculture and Agri-Food Canada

Contact: André Doumbé: Statistical Clerk (204) 983-0581 Fax: (204) 983-5524 e-mail: doumbea@agr.gc.ca

Footnotes: All prices quoted in Canadian dollars per metric tonne.

Grain grades (unless otherwise specified) are: Canada Western Feed Wheat, Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn.

Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec.

Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable



Bi-weekly Bulletin

December 16, 2005 Volume 18 Number 20

DURUM WHEAT: 2005-2006 SITUATION AND OUTLOOK

Prices for durum wheat are expected to decline relative to those for non-durum wheat in 2005-2006 due to sharply higher supplies in Canada and the United States (US), the major durum-exporting countries. Canadian Wheat Board (CWB) pool returns for durum are expected to be below those for similar quality Canada Western Red Spring (CWRS) wheat for the first time since 1990-1991. This issue of the *Bi-weekly Bulletin* examines the situation and outlook for durum wheat.

Demand Considerations

Durum wheat (*Triticum durum*) has unique characteristics making it a "specialty wheat" in world wheat markets. The substitutability of common wheat (*t. aestivum*) for durum wheat is therefore limited, while durum is unsuited for many of the products produced from common wheat. The major durum products are pasta and couscous, a staple food in North Africa. Good quality durum has a very hard vitreous (glassy) kernel (HVK), with an amber yellow endosperm, while common wheat, even hard red spring wheat, is less vitreous and has a white endosperm. Durum pasta maintains a firm texture when cooked, and its natural amber colour is associated with good quality pasta. It should be noted that Asian-style noodles are made from common wheat, not durum. In Europe and North America, pasta products (spaghetti, macaroni, etc.) are generally produced exclusively from durum semolina, although other countries traditionally have used common wheat or durum blends to produce pasta. New production technology, such as high temperature drying, has improved the quality of pasta that can be made from common wheat, but discriminating pasta

consumers continue to prefer pasta made from 100% durum wheat. In North Africa, durum is preferred for the production of couscous. While durum is also used for bread production in some countries, particularly North Africa, this usage is quite limited in terms of total world durum utilization.

As a result of these unique characteristics, the demand for durum tends to be quite inelastic, meaning that a small shortage of durum can result in a large increase in durum premiums over common wheat while slightly excessive supplies can result in sharp price declines. Even if global supplies of common wheat are abundant, a shortage of durum can result in high durum prices, as most end-users are unwilling to switch to common wheat. Conversely, because the market beyond traditional pasta and couscous production is limited, a relatively small increase in durum production can result in large durum price declines.

Production Considerations

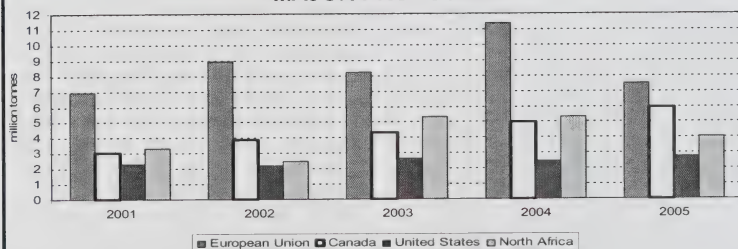
The best quality durum is produced in regions having a relatively dry climate, with hot days and cool nights during the growing

season. Durum wheat also yields relatively well under dry conditions, compared to many alternative crops. Durum produced under higher moisture conditions tends to have a low HVK count, and sprouting and fungal diseases are also more common. Due to its development under a dry climate, durum has little natural resistance to these downgrading factors. Durum production and consumption was historically concentrated in the hot dry regions around the Mediterranean Sea. North Africa, southern Europe, Turkey, and Syria remain major durum producing regions, but production has expanded into North America, where a suitable climate is found in the major growing regions of western North Dakota and Montana in the US, and southern Saskatchewan and Alberta in Canada.

World Situation and Outlook

World durum production for 2005-2006 is estimated at 35.9 million tonnes (Mt)¹, an 11% decrease from 2004-2005. However, major exporter² carry-in stocks have almost doubled, to 5.3 Mt, the highest in more than a decade. As a result, supplies in the three major exporting countries are unchanged at 21.5 Mt, which is 2.1 Mt above the 10-year average. The decrease in production for 2005-2006 is mainly the result of smaller crops in the European Union (EU), Algeria and Morocco, with Canadian and US production increasing. World durum usage in 2005-2006 is projected to be less than production, so that major exporter durum stocks are forecast to rise by a further 10%, to 5.9 Mt, 45% above the 10-year average. This has placed significant downward pressure on world durum prices.

WORLD DURUM PRODUCTION:
MAJOR PRODUCERS

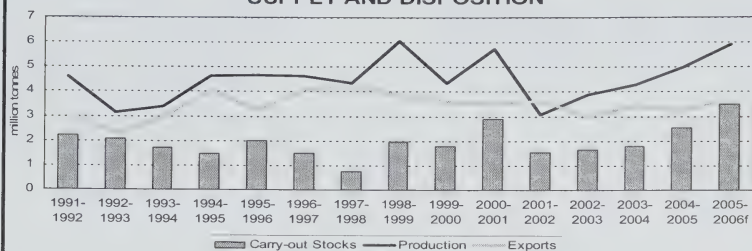


Source: International Grains Council, November 2005 except Canada which is Statistics Canada December 2005

¹ International Grains Council November 2005 except Canada which is Statistics Canada December 2005

² Canada, United States and European Union

CANADA: DURUM WHEAT SUPPLY AND DISPOSITION



FAO forecast, December 2005
Source: Statistics Canada

MAJOR EXPORTERS

CANADA

Supply

Western Canadian farmers planted 2.34 million hectares (Mha) of durum in 2005, 5% above the previous year and equal to the 10-year average. However, growing conditions were good, and abandonment was below normal, so that harvested area rose by 7%, to 2.30 Mha. With above-normal moisture, yields on the harvested area were well above the 10-year average of 2.03 tonnes per hectare (t/ha) (30 bushels per acre (bu/ac)), with western Canadian durum yields in 2005 estimated by Statistics Canada at a record 2.58 t/ha (38 bu/ac). As a result, production rose by 19%, to 5.9 Mt. The higher production was compounded by sharply higher carry-in stocks, which rose by 41% to 2.5 Mt. As a result, supplies are 25% higher than for 2004-2005, at a record 8.4 Mt.

Quality

Due to excess rain at harvest, which resulted in sprouting, bleaching and mildew, the quality of the 2005 durum crop is reported to be well below normal, with less than half the crop grading No.2 Canada Western Amber Durum (CWAD) or higher, well below the 10-year average of almost 70%, although better than in 2004, when only about a third of the crop was of this quality. Protein content is near-normal, with No.1 and 2 CWAD averaging about 12.7% protein (13.5% moisture basis), similar to 2004 and the 10-year average.

Exports

Due to increased world export demand and increased supplies of the top quality grades of durum compared to 2004-2005, Canadian exports (including semolina) are forecast to rise by 15%, to 3.7 Mt, the highest since 1998-1999. With decreased production in North Africa, import demand from this major market has risen, and Canada has been in a position to take advantage of this market opportunity. Canadian exports to North

Africa are forecast at about 1.1 Mt in 2005-2006, up from 0.9 Mt in 2004-2005. Durum production in the EU is also down from 2004-2005, but large carry-in stocks will moderate the need for imports. Canadian durum exports to the EU are forecast to decline by about 20% from 2004-2005, to about 0.8 Mt (August-July). The US durum crop is 11% larger in 2005, and is of good quality, so that imports from Canada are expected to remain relatively unchanged at about 0.4 Mt in 2005-2006. Exports to South America are expected to increase slightly. Canada is expected to capture a 47% share of the world durum market in 2005-2006, up from 45% the previous year but below the 10-year average of 50%.

Carry-out Stocks

It is unlikely that the CWB will be able to accept deliveries of all durum offered by farmers in 2005-2006, and farm held carry-out stocks are forecast to rise sharply compared to 2004-2005. The CWB has accepted only 50% of the durum offered under the Series A delivery contract, and it is expected that the acceptance of the Series B and C contracts will also be less than 100%, particularly for the lower grades. Farm-held stocks as of July 31, 2006 are forecast at a record 2.0 Mt, double that on July 31, 2005 and 4 times the 10-year average of 0.5 Mt. Total carry-out stocks are forecast to rise by almost 40% to a record 3.5 Mt.

UNITED STATES

Supply

North Dakota farmers increased their durum area by 13% in 2005, to 2.0 million acres (Mac), which accounted for 72% of total US durum area, down slightly from the 10-year average of 79%. Durum production has been shifting westward due to disease problems in eastern ND, and Montana area was 0.57 Mac in 2005, unchanged from 2004 but 21% of the total, versus the average of 13%. Total US seeded area for 2005 was up by 7%, at 2.7 Mac, but this remained well below the 10-year average of

3.3 Mac. The average yield in 2005 was slightly above-average at 37 bu/ac, but lower than in 2004. As a result, US production is up by 11% from 2004, at 100 million bushels (Mbu) (2.7 Mt), equal to the 10-year average. Carry-in stocks are 44% higher than for last year, resulting in a 19% increase in domestic supplies, to 138 Mbu (3.7 Mt), the highest since 2000-2001.

Trade and stocks

The United States Department of Agriculture (USDA) projects that US durum exports (June-May) will be 30 Mbu or 0.82 Mt (including products). As of December 1, 2005, US durum exports (including outstanding sales) were 0.48 Mt, up by 7% from the same date in 2004-2005. US carry-out stocks are projected to surge by over 50%, to 58 Mbu (1.6 Mt), the highest since 1990-1991, mirroring the movement in Canadian durum stocks.

EUROPEAN UNION

Supply

The EU-25 is the largest durum producing region in the world, with production concentrated in Italy, Spain, France, and Greece. However, it is also the largest consumer of durum, and since the early 1990s it has been a significant net importer of durum wheat. EU durum area decreased in 2005 due to changes to the support programs for durum under the Common Agricultural Policy (CAP), which have made it a less attractive crop to produce compared to alternative crops, and yields were below normal. As a result of these program changes and lower yields, EU production dropped by 34%, to 7.5 Mt. This has been partly offset by higher carry-in stocks, which have risen from 0.3 Mt to 1.8 Mt, the highest since 1993-1994. The combined impact has resulted in a 20% decrease in EU domestic durum supplies, to 9.3 Mt, equal to the 10-year average.

Trade and stocks

The International Grains Council (IGC) forecasts a 28% increase in EU import requirements, to a record 2.3 Mt. The EU has imported an average of 0.7 Mt of durum from Canada over the past 5 years, an increase of 75% over the past decade. Imports from Canada reached a record 1.4 Mt in 2003-2004, for a 66% share of the EU market, before declining to 1.0 Mt (55% share) in 2004-2005, partly due to a shortage of top quality durum in Canada. For 2005-2006, this is forecast to decrease to about 0.8 Mt with Canada expected to lose market share in the EU to both the US and Australia as top quality supplies decline further. EU durum exports are expected to drop sharply, from 1.2 Mt in 2004-2005 to 0.5 Mt in 2005-2006 (including semolina).

THE EU-25 2003 COMMON AGRICULTURAL POLICY REFORM

The June 2003 CAP reforms introduced the "Single Payment Scheme" (SPS) that decouples aid payments beginning in 2005 and replaces many (but not all) of the former direct aids. There is provision for some product-specific aid payments to continue, where Member States believe there may be an undesirable reduction of production by a move to the SPS. They may apply a number of options, at a national or regional level, but only under well-defined conditions and within clear limits, and alongside continuing market stabilisation measures. These states may retain up to 40% of the supplementary durum wheat aid in order to continue the existing coupled per hectare payments up to those percentage levels. The aid supplement for durum wheat in traditional production zones will be paid independently from production (within national and regional base areas established for this production in the 6 producer countries). Member States may decide to keep 40% linked to production. The aid is fixed at €313/ha in 2004, €291/ha in 2005 and €285/ha from 2006 onwards, and is included in the SPS from 2005 onwards. The specific aid for other regions where durum wheat was supported will be phased out. The cuts will be implemented over 3 years, starting in 2004 (€93/ha in 2004, €46/ha in 2005 and zero for 2006 onwards). From 2004-2005, a quality premium of €40/hectare was introduced, subject to the use of certified seed of varieties recognized as being of high quality.

No EU export subsidies for durum are expected in 2005-2006. EU durum carry-out stocks are expected to fall by 55%, to 0.8 Mt.

OTHER PRODUCERS

The other major durum producing countries are Turkey, Syria, Kazakhstan, India, Australia, and Mexico.

Turkey is normally the third largest durum producer in the world, next to the EU and Canada, with production averaging 3.0 Mt over the past 5 years. Turkey is not a major exporter of durum wheat, shipping an average of about 0.1 Mt over the past 5 years. However, Turkey has a large pasta industry and is a major exporter of pasta. Small quantities of durum, averaging 20,000 tonnes a year, are imported to supplement domestic production, especially in years with a poor quality domestic crop. In 2005-2006, Turkish production is estimated at 2.9 Mt, with exports forecast at 0.2 Mt. Turkey is not a major Canadian market, tending to source its imports from the EU and the US.

Syrian durum production averages about 2.5 Mt, and this country has become a significant durum exporter, with 5-year average exports of 0.5 Mt and with 2005-2006 exports forecast at a record 0.8 Mt.

Mexican durum production has doubled over the past 10 years, from 0.5 Mt in the mid-1990's to 1.0 Mt over the past 5 years. Production is forecast at 1.1 Mt in 2005-2006, unchanged from the previous year. Some Mexican durum is exported, averaging 0.4 Mt over the past 5 years, with 2005-2006 exports forecast at 0.4 Mt.

Australian durum production has risen from virtually zero in 1990 to about 0.5 Mt today. Production for 2005-2006 is unchanged from 2004-2005 at 0.5 Mt. Australia has become a significant durum exporter, with 0.5 Mt forecast to be exported in 2005-2006, targeting the Italian market.

Kazakhstan durum production averages about 2.4 Mt annually, with 2.4 Mt produced in 2005-2006. Most Kazakhstan durum is consumed within the Former Soviet Union.

Indian durum production was 1.2 Mt in 2005-2006, unchanged from the previous year. Durum is used domestically for the production of atta flour. No Indian durum is expected to be exported, due to low quality and inadequate segregation in the handling system.

MAJOR IMPORTERS

North Africa

The four North African countries of Algeria, Morocco, Tunisia, and Libya constitute the largest durum import market in the world. Durum based foods are a cultural tradition in these countries, where most durum is consumed in the form of couscous, which consists of small grain-like balls of semolina steamed and prepared in a manner similar to rice. Traditional breads are also made with durum flour, particularly in Morocco. Domestic production is insufficient to meet requirements, and imports have averaged 3.0 Mt over the past 5 years, representing about 45% of annual consumption. Grain production in this region next to the Sahara Desert is largely dependent on winter rains, which are often unreliable, and as a result durum production is quite variable, ranging over the past decade from a high of 6.0 Mt

in 1996-1997 to a low of 1.7 Mt in 2000-2001. Production for 2005-2006 is estimated by the IGC at a near-average 4.0 Mt, down from 5.3 Mt the previous year. Imports are forecast to increase by 13% compared to 2004-2005, to 3.1 Mt. Canadian exports to North Africa are forecast at about 1.1 Mt in 2005-2006, up from 0.9 Mt in 2004-2005, maintaining a one-third share of total regional imports. As of October 31, 2005, Canadian exports to North Africa were 0.20 Mt, versus 0.32 Mt a year earlier.

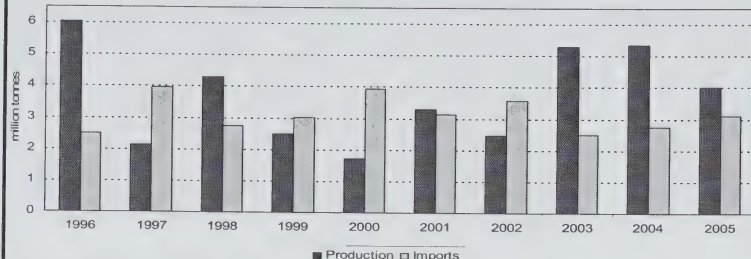
Other Importers

The other major durum importing countries are Japan, Venezuela, Peru, and Chile. The South American countries are a potential growth market for Canadian durum. Pasta has traditionally been produced from common hard wheat in many of these countries. However, through market development work by the CWB, the Canadian Grain Commission, and the Canadian International Grains Institute, Canadian durum exports into South America have increased over the last decade, from less than 0.3 Mt in the early 1990s, to 0.5 Mt in the 2000 to 2004 period. Exports to this region were slightly below-normal in 2004-2005 due to poor quality, but Agriculture and Agri-Food Canada (AAFC) forecasts that South American imports of Canadian durum will increase slightly for 2005-2006, to about 0.6 Mt. Durum imports by Japan have been stable at about 0.2 Mt over the past decade, and are expected to remain near this level for 2005-2006. Canada supplies the bulk of the durum imported by the Japanese market.

COOKING COUSCOUS

The couscous sold in most western supermarkets has been pre-steamed and dried, and just requires adding a little boiling water to prepare it for consumption. Pre-steamed couscous takes less time to prepare than dried pasta or rice. The traditional North African method is to use a steamer (called a *couscoussière* in French). The base is a tall metal pot in which the meat and vegetables are cooked in a stew. On top of the base a steamer sits where the couscous is cooked, absorbing the flavours from the stew. In Algeria, Tunisia and Morocco, couscous is generally served with vegetables cooked in a spicy or mild broth, and some meat.

NORTH AFRICA: DURUM PRODUCTION AND IMPORTS



Source: International Grains Council, November 24, 2005

PRICE FORECASTS

Although world durum prices have been supported by the smaller EU and North African crops, this has been more than offset by larger crops in Canada and the US. The No.3 Hard Amber Durum (3 HAD) export price FOB Gulf is expected to average US\$180 per tonne (/t) in 2005-

2006, 6% below the average of US\$192/t in 2004-2005 (August-July).

Canada

Canadian prices for durum wheat have been pressured by both the declining world price and the strengthening Canadian dollar. The dollar is forecast to average about US\$0.85 for 2005-2006, compared to US\$0.81 in 2004-2005. In Canadian dollars, the US 3 HAD Gulf price is forecast at CAN\$212/t, versus CAN\$238/t in 2004-2005, an 11% decline. The CWB 2005-2006 November Pool Return Outlook (PRO) for No.1 CWAD with 11.5% protein is \$183/t in-store Vancouver/St. Lawrence, 9% lower than in 2004-2005. A discount of \$11/t to No.1 CWRS 11.5% is forecast, versus a premium of \$11/t the previous crop year. A western Canadian average on-farm price of about \$136/t for No.1 CWAD 11.5% is expected, compared to \$155/t in 2004-2005.

OUTLOOK FOR 2006-2007

The outlook for 2006-2007 is very tentative at this time, as the majority of the world durum crop is spring seeded, so that seeded areas will not be known until about June, 2006. In both Canada and the US, durum area is expected to decline, due to low

prices in 2005-2006 and burdensome stock levels. However, durum producers often do not react significantly to current market conditions, as the crop stores well and significant premiums over non-durum wheat are expected to return in the future. Therefore, the declines are not expected to be large. In the EU, area is expected to remain near the below-average 2005 level, due to the CAP reforms, but with a return to normal yields, a small increase in production is possible. In North Africa, a normal durum crop is currently expected. AAFC is projecting a small decline in total world durum production for 2006-2007, but exportable supplies are expected to be relatively unchanged due to large exporter carry-in stocks. A small decline in exporter carry-out stocks is projected, which may provide some price support. However, the continuing large supplies make any large price rally unlikely unless production problems are experienced in a major producing region.

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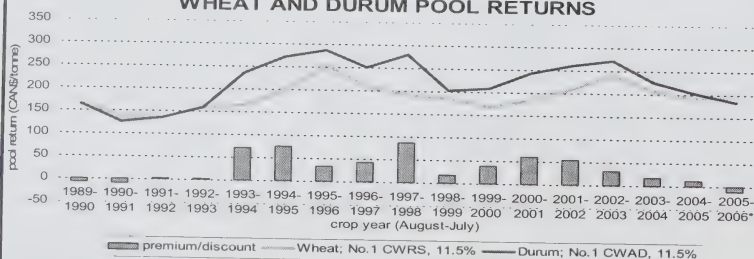
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CANADIAN WHEAT BOARD: WHEAT AND DURUM POOL RETURNS



* Canadian Wheat Board November 2005 Pool Return Outlook; in-store Vancouver or St. Lawrence
Source: Canadian Wheat Board

While the Market Analysis Division assumes responsibility for all information contained in this bulletin,
we wish to gratefully acknowledge input from the following:
Canadian Wheat Board, Market and Industry Services Branch (AAFC)



CANADA: GRAINS AND OILSEEDS OUTLOOK

December 9, 2005

For 2005-06, Canadian grain and oilseed (G&O) production is estimated by Statistics Canada to increase to 66.7 million tonnes (Mt), versus 63.6 Mt in 2004-05 and the 10-year average of 59.2 Mt. Production in western Canada increased by 5% from 2004-05, to 50.8 Mt, as a result of higher yields and a larger harvested area. The quality of the wheat and barley crops has been reduced by the wet harvest conditions, with a below-normal proportion in the top grades. Oilseed quality, however, is good. In eastern Canada, production increased by 3% to 15.9 Mt, due to increased harvested area and above-average yields. For 2005-06, the total supply of grains and oilseeds in Canada has risen to a record 85.3 Mt, from 77.7 Mt in 2004-05, because of higher production and significantly larger carry-in stocks. Exports are forecast to increase by 16% to 27.6 Mt due to increased supply and improved quality. Total domestic usage is also forecast to increase but carry-out stocks are forecast to rise by 10% to a historically high 17.9 Mt. World wheat prices are forecast to increase slightly from 2004-05, while soybean and corn prices are expected to decline. Prices in Canada will continue to be pressured by the strong Canadian dollar. The major factors to watch are: import demand from China, EU export subsidies, ocean freight rates, the Canadian trade investigations into imports of US corn, and the Canada/US exchange rate.

WHEAT (ex-durum)

For 2005-06, production is unchanged from the previous year, remaining about 5% above the 10-year average. Despite a decline in area, yield reached a record 2.77 t/ha (41 bu/ac), 18% above the 10-year average. Total supply is up by 5%, due to larger carry-in stocks. The percent of the crop falling into the top grades is estimated to be lower than normal, although better than in 2004-05, and the carry-in stocks are also estimated to be mainly of lower grades. As a result of increased supplies of milling quality wheat, exports are forecast to rise by 14%. Much of the lower quality wheat is expected to be absorbed by the domestic feed industry. Carry-out stocks are forecast to decline marginally. The Canadian Wheat Board (CWB) November Pool Return Outlook (PRO) rose for the 4th consecutive month and is now above 2004-05 for most grades and classes. Protein premiums are forecast to decline slightly from last year, but remain above the previous 3 years.

DURUM

Production increased by 19%, to a near-record 5.9 Mt, as a result of a record yield of 2.58 t/ha (38 bu/ac), 27% above the 10-year average. Total supply is up by 25% at a record 8.4 Mt. Exports are expected to increase by 15% due to dryness in North Africa and southern Europe, as well as reduced area in the EU resulting from policy changes. However, further growth in durum export potential is limited at this time. Carry-out stocks are projected to rise by almost 40% to a record 3.5 Mt, about three-quarters of a normal crop over the past decade. Farm-held stocks are forecast to double, to a record 2.0 Mt. The CWB accepted only 50% of the durum offered in Delivery Series A, and it is unlikely that all durum offered in the B and C Series will be accepted. The CWB 2005-06 November PRO is well below 2004-05 for all grades, due to the larger supplies in both the US and Canada. For the first time since 1990-91, pool returns for durum are expected to be below those for similar quality CWRs wheat.

BARLEY

Production decreased by 5% from 2004-05, as a result of lower area and yields. Total supply, however, is up by 4% due to high carry-in stocks resulted from the large production of low-quality barley in 2004-05. The quality of the 2005-06 crop is estimated to be below normal. Exports are forecast to rise by 29% due to higher feed barley exports. Carry-out stocks are expected to drop significantly. The off-Board feed barley price is forecast to decline marginally. Malting barley prices will be pressured by higher world production, with the CWB PRO for Special Select 2-Row down by \$7/t from 2004-05 to \$172/t.

OATS

Production decreased by 7% due to lower yields. Total supply is down marginally, as lower production more than offsets higher carry-in stocks. Exports are forecast to decrease slightly because of lower US import demand. Carry-out stocks are expected to decrease. Feed oat prices are forecast to be \$5/t higher than in 2004-05.

CORN

Production increased by 7% because of higher yields and harvested area. Since carry-in stocks are significantly higher than for 2004-05, domestic supply is up by 13%. Corn imports, mainly from the US into eastern Canada, are expected to decrease by 26%. Industrial Use is forecast to rise, as a result of increased ethanol production. Canadian prices are expected to be similar to 2004-05, as stronger domestic demand offsets lower US corn prices and the strong Canadian dollar.

CANOLA

Production increased by 25% to a record 9.7 Mt, due to higher area and significantly higher yields which resulted from ideal growing conditions across the western prairies. Total supply is expected to increase by 35% because of sharply higher carry-in stocks. Crop quality and oil content is

significantly above normal. Domestic crush is expected to increase by 9% due to lower canola prices. Exports are forecast to rise by 32% because of decreased competition from the EU-25. Carry-out stocks are forecast to increase sharply, to a record 3.0 Mt. The average price is forecast to fall, under pressure from burdensome carry-out stocks in Canada and from low soyoil prices in the US.

FLAXSEED (excluding solin)

Production more than doubled to 1.1 Mt, reaching the highest level since 1998-99, due to significantly higher seeded area and sharply higher yields. Total supply is expected to rise by 75%. Exports are forecast to increase sharply on support from high domestic supplies, steady EU demand and higher crude oil prices. Carry-out stocks are expected to rise sharply, but are not be burdensome. The average price is expected to decline.

SOYBEANS

Production increased by 4% to a record 3.2 Mt due to higher yields. Domestic supply is estimated to increase by 6% and imports are forecast to decrease. Domestic use is expected to rise to near record levels. Exports are forecast to increase to a record high because of strong exports of edible soybeans. The average Chatham price is forecast to fall, as a result of weaker world soybean prices and the strong Canadian dollar.

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CANADA: GRAINS AND OILSEEDS SUPPLY AND DISPOSITION

December 9, 2005

Grain and Crop Year	Area		Yield	Production	Imports	Total	Exports	Food & Industrial Use (e)	Feed, Waste & Dockage	Total Domestic Use (d)	Carry-out Stocks	Average Price (f)
(a)	-----000 ha-----		t/ha		(b)	Supply	(c)	thousand metric tonnes				\$/t
Durum												
2003-2004	2,483	2,459	1.74	4,280	1	5,900	3,427	252	219	683	1,789	224.21
2004-2005	2,230	2,141	2.32	4,962	1	6,752	3,218	257	533	1,013	2,521	201.10
2005-2006f	2,341	2,297	2.58	5,915	1	8,436	3,700	260	778	1,236	3,500	183 *
Wheat Except Durum												
2003-2004	8,179	8,009	2.41	19,272	16	23,395	12,299	2,775	3,223	6,805	4,291	206.03
2004-2005	8,169	7,722	2.71	20,898	13	25,203	11,593	2,791	4,574	8,138	5,471	189.99
2005-2006f	7,784	7,530	2.77	20,860	15	26,347	13,200	2,800	4,070	7,747	5,400	194 *
All Wheat												
2003-2004	10,662	10,467	2.25	23,552	18	29,295	15,727	3,027	3,442	7,488	6,080	
2004-2005	10,339	9,862	2.62	25,860	14	31,955	14,812	3,048	5,107	9,151	7,992	
2005-2006f	10,125	9,826	2.72	26,775	16	34,783	16,900	3,060	4,848	8,983	8,900	
Barley												
2003-2004	5,046	4,446	2.77	12,328	36	13,838	2,456	287	8,579	9,280	2,102	135.80
2004-2005	4,678	4,050	3.26	13,186	83	15,371	1,863	263	9,362	10,019	3,489	112.15
2005-2006f	4,440	3,889	3.21	12,481	30	16,000	2,400	360	9,850	10,600	3,000	100-120
Corn												
2003-2004	1,265	1,226	7.82	9,587	2,108	12,805	353	2,415	8,882	11,310	1,143	137.18
2004-2005	1,185	1,072	8.24	8,837	2,422	12,401	242	2,395	7,951	10,358	1,802	100.68
2005-2006f	1,124	1,096	8.63	9,461	1,800	13,062	200	2,450	8,897	11,362	1,500	90-110
Oats												
2003-2004	2,272	1,575	2.34	3,691	19	4,234	1,557	140	1,581	1,888	788	136.65
2004-2005	1,995	1,315	2.80	3,683	26	4,497	1,675	110	1,568	1,834	988	130.68
2005-2006f	1,853	1,326	2.59	3,432	15	4,435	1,600	140	1,575	1,885	950	125-145
Rye												
2003-2004	246	147	2.22	327	0	352	172	47	47	112	68	104.44
2004-2005	284	165	2.53	418	1	487	122	48	155	220	145	70-80
2005-2006f	223	148	2.42	359	1	505	150	48	170	235	120	65-85
Mixed Grains												
2003-2004	241	135	2.84	384	0	384	0	0	384	384		
2004-2005	220	111	2.87	318	0	318	0	0	318	318		
2005-2006f	209	109	2.78	303	0	303	0	0	303	303		
Total Coarse Grains												
2003-2004	9,070	7,529	3.50	26,317	2,162	31,613	4,538	2,889	19,474	22,975	4,101	
2004-2005	8,362	6,713	3.94	26,442	2,531	33,074	3,901	2,817	19,354	22,749	6,424	
2005-2006f	7,850	6,568	3.96	26,036	1,846	34,306	4,350	2,998	20,796	24,386	5,570	
Canola												
2003-2004	4,736	4,689	1.44	6,771	243	7,908	3,754	3,390	113	3,545	609	387.04
2004-2005	5,319	4,938	1.57	7,728	108	8,444	3,412	3,031	328	3,403	1,629	309.15
2005-2006f	5,491	5,253	1.84	9,660	150	11,440	4,500	3,300	595	3,940	3,000	245-285
Flaxseed												
2003-2004	745	728	1.04	754	20	903	609	n/a	n/a	202	93	382.13
2004-2005	728	528	0.98	517	38	648	468	n/a	n/a	150	30	n/a
2005-2006f	842	803	1.35	1,082	20	1,132	700	n/a	n/a	232	200	275-315
Soybeans												
2003-2004	1,051	1,047	2.17	2,268	587	3,000	914	1,500 ^{1/}	319	1,947	140	395.04
2004-2005	1,229	1,178	2.59	3,048	393	3,581	1,122	1,610 ^{1/}	457	2,190	270	248
2005-2006f	1,176	1,169	2.70	3,161	250	3,681	1,150	1,750 ^{1/}	421	2,281	250	205-245
Total Oilseeds												
2003-2004	6,531	6,464	1.52	9,794	850	11,811	5,277	n/a	n/a	5,693	841	
2004-2005	7,277	6,643	1.70	11,293	539	12,673	5,002	n/a	n/a	5,743	1,929	
2005-2006f	7,510	7,225	1.92	13,904	420	16,253	6,350	n/a	n/a	6,453	3,450	
Total Grains And Oilseeds												
2003-2004	26,263	24,461	2.44	59,663	3,029	72,719	25,541	n/a	n/a	36,156	11,022	
2004-2005	26,038	23,219	2.74	63,596	3,084	77,702	23,715	n/a	n/a	37,643	16,345	
2005-2006f	25,484	23,620	2.82	66,715	2,282	85,341	27,600	n/a	n/a	39,821	17,920	

(a) August - July crop year except corn and soybeans which are September - August.

(b) Excludes imports of products. (c) Includes exports of products for wheat, oats, barley, and rye. Excludes exports of oilseed products.

(d) Total Domestic Use = Food and Industrial Use + Feed Waste & Dockage + Seed Use

(e) Industrial use excludes flaxseed due to data confidentiality.

(f) Crop year average prices: No.1 CWRS 11.5% protein and No.1 CWAD 11.5% (CWB final price I/S St. Lawrence/Vancouver), Barley (No. 1 feed, WCE, cash, I/S Lethbridge), Corn (No.2 CE, cash, I/S Chatham), Oats (US No. 2 Heavy, CBoT nearby futures); Rye (No.2 Canada, Elevator bids at select western delivery points); Canola (No. 1 Canada, WCE, cash, I/S Vancouver); Flaxseed (No. 1 CW, WCE, cash, I/S Thunder Bay); Soybeans (No. 2, I/S Chatham).

* CWB Pool Return Outlook (PRO) - November 26, 2005

^{1/} Source for Food and Industrial Use is based on data from the Canadian Oilseed Processors Association.

F: forecast - Agriculture and Agri-Food Canada - December 9, 2005

Source: Statistics Canada, Cereals and Oilseeds Review Series, Cat. No. 22-007



CANADA: PULSE AND SPECIAL CROPS OUTLOOK

December 9, 2005

Total Canadian pulse and special crops production increased by 2%, from 2004-05, to 5.33 million tonnes (Mt), based on Statistics Canada's (STC) November production estimates. Total supply increased by 15% to 6.74 Mt, due to higher production and higher carry-in stocks. Exports are forecast to increase by 19% and domestic use by 5% due to stronger demand, but carry-out stocks are also expected to increase. Average prices, over all types, grades and markets, are forecast to increase for chickpeas, decrease for dry peas, lentils, dry beans, mustard seed, canary seed and sunflower seed, and be the same for buckwheat.

STC's yield estimates are significantly higher than trend for Ontario, Saskatchewan and Alberta, and much below trend for Manitoba. Crop abandonment is estimated to be near normal, except for Manitoba where significantly higher than normal abandonment is estimated. The harvest is generally complete. Overall quality is estimated to be better than in 2004-05, but generally lower than normal for dry peas and lentils, and normal for dry beans, chickpeas, mustard seed, canary seed, sunflower seed and buckwheat. The main factors to watch are the exchange rates of the Canadian dollar against the US dollar and other currencies, ocean shipping rates, and growing and harvest conditions in major producing regions, especially the Indian sub-continent and Mexico.

DRY PEAS

For 2005-06, production decreased by 7%, due to a 2% decrease in seeded area and lower yields. Production decreased for yellow, green and other types. Supply increased by 5% due to higher carry-in stocks. World supply decreased slightly to 12.2 Mt. Canadian exports and domestic use are expected to increase due to stronger demand in the food markets in Asia and in the feed markets in the EU and Canada. Carry-out stocks are forecast to decrease, with a stocks-to-use (s/u) ratio of 13%. Support from slightly lower world supply is expected to be more than offset by higher Canadian, US and Australian supply, which is mostly exported, and lower prices of alternative feed ingredients. Therefore, the average price, over all types, grades and markets, is forecast to decrease.

LENTILS

For 2005-06, production and supply increased significantly, due to a 14% rise in seeded area, higher yields and higher carry-in stocks. Production increased for large green, small green and red types, but remained stable for the medium green type. World supply increased by 16% to 4.52 Mt. Although world use is expected to increase because of higher demand, resulting mostly from lower prices, carry-out stocks are forecast to rise. Canadian exports are expected to increase by 36% due to the higher demand. Carry-out stocks are forecast to rise significantly, with a s/u ratio of 64%. The average price, over all types and grades, is forecast to decrease because of the higher world supply.

DRY BEANS

For 2005-06, production and supply increased, due to a 23% rise in seeded area and lower abandonment. Production increased for white pea, pinto, black, dark and light red kidney, and cranberry

beans, but remained stable for Great Northern, small red and pink beans. US production increased by 52% to 1.18 Mt, while supply increased by only 26% to 1.32 Mt due to lower carry-in stocks. Canadian exports are forecast to increase due to higher supply. Carry-out stocks are expected to increase, but remain low. The average price, over all classes and grades, is forecast to decrease due to the higher US and Canadian supply.

CHICKPEAS

For 2005-06, production and supply increased, because of a 69% rise in seeded area, lower abandonment and higher yields. Production increased for large and small kabuli types, but remained stable for the desi type. World supply increased marginally to 8.9 Mt. Canadian exports are forecast to increase due to the higher supply. Carry-out stocks are expected to increase, but remain low. The average price, over all types, grades and sizes, is forecast to increase due to higher quality, stronger demand and a shift to the production of the higher priced kabuli types.

MUSTARD SEED

For 2005-06, production decreased by 34% because of a 33% fall in seeded area. Production decreased for all types, yellow, brown and oriental. Supply decreased only marginally due to higher carry-in stocks. Although exports are forecast to rise due to higher demand, carry-out stocks are forecast to decrease only moderately, with a s/u ratio of 79%. The average price, over all types and grades, is expected to decrease because of pressure from sharply higher carry-in stocks.

CANARY SEED

For 2005-06, production decreased by 24%, as a 46% fall in seeded area was partly offset by higher yields. Supply increased by 8%, as higher carry-in

stocks more than offset the fall in production. World supply, 90% of which is in Canada, increased by 8% to 437,000 t. Although Canadian exports are expected to increase due to higher demand, carry-out stocks are forecast to rise slightly, with a s/u ratio of 79%. The average price is forecast to decrease because of the higher world supply.

SUNFLOWER SEED

For 2005-06, production and supply increased due to a 7% rise in seeded area, lower abandonment and higher yields. Production increased for both types, confectionery and oilseed. US production increased by 89% to 1.76 Mt and supply by 69% to 1.84 Mt. World supply increased by 10% to 30.5 Mt. Canadian exports and domestic use are forecast to increase because of the higher supply. Carry-out stocks are expected to decrease to a low level. The average price, over both types and all grades, is forecast to decrease because of the higher US and Canadian supply.

BUCKWHEAT

For 2005-06, Canadian production and supply increased, as a lower seeded area was more than offset by lower abandonment and higher yields. Exports are forecast to remain stable while domestic use increases. Carry-out stocks are expected to be negligible. The average price is forecast to be the same as in 2004-05.

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CANADA: PULSE AND SPECIAL CROPS SUPPLY AND DISPOSITION

December 9, 2005

Grain and Crop Year (a)	Area		Yield t/ha	Production	Imports (b)	Total Supply	Exports (b)	Total Domestic Use (d)	Carry-out Stocks	Average Price (e) \$/t
	Seeded 000 ha	Harvested 000 ha								
----- thousand metric tonnes -----										
Dry Peas										
2001-2002	1,344	1,285	1.59	2,045	27	2,267	1,381	611	275	190
2002-2003	1,297	1,050	1.30	1,365	41	1,681	628	743	310	210
2003-2004	1,303	1,271	1.67	2,124	24	2,458	1,316	937	205	175
2004-2005	1,388	1,345	2.48	3,338	56	3,599	1,846	1,158	595	135
2005-2006f	1,366	1,319	2.35	3,100	90	3,785	2,150	1,185	450	105-135
Lentils										
2001-2002	708	664	0.85	566	6	828	478	219	131	320
2002-2003	601	387	0.91	354	9	494	320	119	55	390
2003-2004	554	536	0.97	520	5	580	368	174	38	420
2004-2005	778	750	1.28	962	10	1,010	450	315	245	310
2005-2006f	884	862	1.48	1,278	10	1,533	610	323	600	245-275
Dry Beans										
2001-2002	184	175	1.70	298	42	380	263	82	35	725
2002-2003	230	219	1.89	414	40	489	298	96	95	445
2003-2004	167	167	2.13	356	31	482	344	83	55	495
2004-2005	163	126	1.75	220	28	303	277	21	5	650
2005-2006f	200	177	1.84	326	40	371	300	46	25	495-525
Chickpeas										
2001-2002	486	467	0.97	455	12	497	146	211	140	380
2002-2003	221	154	1.01	156	9	305	105	140	60	300
2003-2004	63	63	1.08	68	2	130	74	36	20	330
2004-2005	47	39	1.31	51	4	75	47	23	5	385
2005-2006f	79	73	1.43	104	5	114	70	34	10	440-470
Mustard Seed										
2001-2002	166	158	0.66	105	3	213	171	9	33	685
2002-2003	289	255	0.60	154	9	196	114	22	60	595
2003-2004	340	328	0.69	226	2	288	121	75	92	390
2004-2005	317	304	1.01	306	1	399	119	86	194	295
2005-2006f	212	206	0.98	201	1	396	140	81	175	265-295
Canary Seed										
2001-2002	170	163	0.70	114	0	184	134	20	30	660
2002-2003	287	227	0.78	176	0	206	164	22	20	575
2003-2004	251	243	0.93	226	0	246	167	12	67	345
2004-2005	356	318	0.95	301	0	368	163	35	170	230
2005-2006f	190	186	1.22	227	0	397	180	42	175	185-215
Sunflower Seed										
2001-2002	73	67	1.55	104	29	179	92	65	22	355
2002-2003	100	95	1.65	157	21	200	105	60	35	440
2003-2004	119	115	1.30	150	16	201	96	80	25	405
2004-2005	87	59	0.92	54	35	114	32	64	18	490
2005-2006f	93	75	1.19	89	25	132	50	72	10	335-365
Buckwheat										
2001-2002	14	14	1.14	16	1	17	6	8	3	325
2002-2003	12	12	1.00	12	1	16	6	7	3	340
2003-2004	9	9	1.11	10	1	14	5	7	2	355
2004-2005	9	7	0.71	5	1	8	4	4	0	355
2005-2006f	7	6	1.33	8	1	9	4	5	0	340-370
Total Pulse And Special Crops (f)(c)										
2001-2002	3,131	2,993	1.24	3,703	120	4,565	2,671	1,225	669	
2002-2003	3,025	2,399	1.16	2,788	130	3,587	1,740	1,209	638	
2003-2004	2,797	2,732	1.35	3,680	81	4,399	2,491	1,404	504	
2004-2005	3,136	2,948	1.78	5,237	135	5,876	2,938	1,706	1,232	
2005-2006f	3,031	2,904	1.84	5,333	172	6,737	3,504	1,788	1,445	

(a) August-July crop year.

(b) Excludes products.

(c) Includes Pulse Crops (dry peas, lentils, dry beans, chick peas) and Special Crops (mustard seed, canary seed, sunflower seed, buckwheat)

(d) Includes food, feed, seed, waste and dockage. Total domestic use is calculated residually.

(e) Producer price, FOB plant. Average over all types, grades and markets.

f. forecast, Agriculture and Agri-Food Canada, December 9, 2005

Source: Statistics Canada and industry consultations.

A. SELLING PRICE OF BULK FEED INGREDIENTS AT SELECTED POINTS

December 12, 2005

SELECTED POINT	REFERENCE PERIOD	PRICE BASIS	(1) WHEAT	OATS	BARLEY	CORN	PRICE SOYBEAN MEAL	CANOLA MEAL	MILL- FEEDS	MEAT MEAL	FISH MEAL	ANIMAL FAT	GLUTEN MEAL	GLUTEN FEED	FEED PEAS	DEHY ALFALFA	FEATHER MEAL
Vancouver	December 12, 2005	FOB	134.00	N/A	135.00	132.50	268.50	147.00	117.00	900.00	900.00	460.00					405.00
BC (4) (7)	December 05, 2005	FOB	134.00	N/A	135.00	132.50	257.50	147.00	117.00	150.00	1000.00	495.00					410.00
Calgary	December 12, 2005	FOB	104.00	N/A	110.00	137.00	266.00			150.00	1000.00	495.00					410.00
AB (4)	December 05, 2005	FOB	104.00	N/A	110.00	137.00	255.00			150.00	1000.00	495.00			116.33		440.00
Saskatoon	December 12, 2005	FOB	103.50	129.00	89.00	125.00	271.00	N/A		150.00	N/A	495.00			116.00		440.00
SK (4)	December 05, 2005	FOB	101.50	127.50	88.00	125.00	260.00	N/A		150.00	1012.50	525.00					385.00
Winnipeg	December 12, 2005	FOB	141.50	140.00	112.50	115.00	255.00	N/A		290.00	1012.50	525.00					385.00
MB (4) (9)	December 05, 2005	FOB	139.00	140.00	112.50	115.00	247.67	N/A		290.00	1012.50	525.00					385.00
Thunder Bay	December 12, 2005	In-Store	123.20	N/A	109.75												
ON (8)	December 05, 2005		122.00	N/A	107.40												
Lake Ports	December 12, 2005	On Board				90.83											
USA (3)	December 05, 2005	Vessel				87.05											
Bay Ports	December 12, 2005	In-Store	160.00	185.00	130.00												
ON	December 05, 2005		145.00	185.00	130.00												
Chatham	December 12, 2005	Track				110.36											
ON	December 05, 2005					109.97											
Toronto	December 12, 2005	N/A					FOB			182.00	N/A	440.00	425.00	114.00		285.00	320.00
ON	December 05, 2005									182.00	N/A	440.00	425.00	114.00		280.00	320.00
Hamilton	December 12, 2005	N/A					261.91	N/A									
ON	December 05, 2005						255.51	N/A									
Eastern	December 12, 2005	FOB				104.77											
ON	December 05, 2005					108.00											
London	December 12, 2005	FOB							86.50				425.00	114.00			
ON	December 05, 2005								64.50				425.00	114.00			
Port Colborne	December 12, 2005	FOB											425.00	114.00			
ON	December 05, 2005												425.00	114.00			
Cardinal	December 12, 2005	FOB											425.00	114.00			
ON	December 05, 2005												425.00	114.00			
Montreal	December 12, 2005	FOB	155.00	145.00	142.00	120.00	266.64	203.80	90.00	180.00	850.00	436.50	425.00	114.00		270.00	370.00
QC (5)	December 05, 2005		155.00	150.00	142.00	125.00	260.29	194.85	83.33	230.00	850.00	469.50	425.00	114.00		270.00	370.00
Trois-Rivières	December 12, 2005	In-Store	156.20		145.50	120.76											
QC	December 05, 2005		156.50		144.80	119.97											
St. Jean QC (2)	December 12, 2005	FOB	143.50	138.50	129.50	122.00	255.33										
St. Hyacinthe QC	December 05, 2005		140.50	138.50	128.50	123.50	247.55										
Quebec	December 12, 2005	In-Store	159.07	N/A	164.89	123.77	265.02	211.27									
QC	December 05, 2005		155.50	N/A	158.08	123.77	254.28	210.50									330.00
Truro	December 12, 2005	Track	187.38	167.20	163.79	162.53	308.41	258.86		241.10		N/A					330.00
NS	December 05, 2005		186.61		167.20	162.53	306.91	258.86		241.10		N/A					
Truro	December 12, 2005	Water	N/A	N/A	N/A	N/A											
NS	December 05, 2005		N/A	N/A	N/A	N/A											
Hallifax	December 12, 2005	In-Store	N/A	N/A	N/A	N/A	343.50		297.50	1 050.00		N/A					
NS (6)	December 05, 2005		N/A	N/A	N/A	N/A	278.00		297.50	1 050.00		N/A					

Source: Market Analysis Division. Agriculture and Agri-Food Canada; Thunder Bay prices are based on the Winnipeg Commodity Exchange (WCE) market close

US\$1.00 = CANS 1.58

closing date
Dec-09/2005

Contact: André Dombé Statistical Clerk Telephone: (204) 983-0581 Fax: (204) 983-5524 Email: dombear@agr.gc.ca

N/A = not available

Footnotes: All prices in Canadian dollars per metric tonne based on survey respondents.

Grain grades (unless otherwise specified) are: Western or Eastern Feed Wheat. Feed Oats. No.1 Canada Western or Eastern Barley. No.2 Canada Yellow Corn. No.3 US Yellow Corn.

Soybean Meal 48 % Protein. Canola Meal based on minimum standard of 35% Protein. Fish Meal: white fish and/or herring meal. Gluten Meal 60% Protein. Gluten Feed 21% Protein.

(1) Wheat 3CWRs (2) Canadian Corn #3 or #2 (3) US Corn (4) Fish Meal from West Coast 63% Protein (5) Fish Meal 60% Protein (6) Herring Fish Meal (7) Fraser Valley (8) Wheat & Barley (Basis - Cash Price WCE) (9) Oats 3CW

B. CASH PRICES AND REPLACEMENT VALUES

December 12, 2005

PRAIRIE GRAINS

Selected Points	Price Basis		This week 12-Dec-05	Last week 28-Nov-05	Month ago 14-Nov-05	Year Ago 13-Dec-04
From: Thunder Bay(WCE) (2)	In-Store	Wheat	125.00	122.00	118.00	100.00
(CBOT)		Oat	210.00	180.50	167.75	154.40
(Lethbridge)		Barley	112.00	110.00	109.00	112.50
To: Bayport, ON (1)	In-store	Wheat	148.61	145.61	141.61	123.61
		Oat	N/A	N/A	N/A	N/A
		Barley	139.39	137.39	136.39	139.89
Montreal, QC (1)	In-store	Wheat	153.03	150.03	146.03	128.03
		Oat	N/A	N/A	N/A	N/A
		Barley	144.31	142.31	141.31	144.81
Moncton, NB	Truck via Halifax	Wheat	175.25	172.25	168.25	150.25
		Oat	N/A	N/A	N/A	N/A
		Barley	168.50	166.50	165.50	169.00
Truro, NS	Truck via Halifax	Wheat	169.22	166.22	162.22	144.22
		Oat	N/A	N/A	N/A	N/A
		Barley	166.00	164.00	163.00	166.50
Halifax, NS (1)	In-store	Wheat	160.28	157.28	153.28	135.28
		Oat	N/A	N/A	N/A	N/A
		Barley	152.30	150.30	149.30	152.80
Stephenville, NL	Track / Truck via Sydney	Wheat	223.63	220.63	216.63	198.63
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A
Melfort, SK		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Bayport, ON		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Montreal, QC		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Moncton, NB		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Truro, NS		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track / Truck via Sydney	Barley	N/A	N/A	N/A	N/A
Stephenville, NL		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A

Selected Points	Price Basis		This week 12-Dec-05	Last week 28-Nov-05	Month Ago 14-Nov-05	Year Ago 13-Dec-04
Corn						
From: US Lake Port	On Board Vessel		91.06	90.75	84.93	101.99
To: Montreal, QC (1)	In-store		110.10	109.79	103.97	121.03
From: Chicago (IL)	Track		86.50	87.31	93.59	96.67
To: Montreal, QC	Track		115.36	116.17	122.45	125.53
From: Chatham, ON	Track		110.36	108.39	103.75	102.14
To: Montreal, QC	Track		134.23	132.26	127.62	126.01

Soymeal 48% Protein

From: Hamilton, ON			261.91	255.51	256.01	245.15
To: Montreal, QC	Track		286.24	279.84	280.34	269.48
Moncton, NB	Track		304.99	298.59	299.09	288.23
Truro, NS	Track		308.21	301.81	302.31	291.45
Stephenville, NL	Track / Truck via Sydney		356.84	350.44	350.94	340.08

1. Prices include ONE month of storage and interest charges n/a = not available
 2. Thunder Bay prices are based on the Winnipeg Commodities Exchange market close (Cash price)

Source: Market Analysis Division, Agriculture and Agri-Food Canada

Contact: André Doumbé: Statistical Clerk (204) 983-0581 Fax: (204) 983-5524 e-mail: doumbea@agr.gc.ca

Footnotes: All prices quoted in Canadian dollars per metric tonne.

Grain grades (unless otherwise specified) are: Canada Western Feed Wheat, Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn.

Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec.

Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable



Bi-weekly Bulletin

December 30, 2005 Volume 18 Number 21

RUSSIA

Russia became the third largest wheat exporter in the world in 2002-2003, second only to the United States (US) and the European Union (EU). Two successive years of record wheat production, attributed largely to unusually high yields, made it possible for Russia to fill a supply void created when the US, Canada, Australia and Argentina experienced production shortfalls due to poor growing conditions. Similarly, but to a lesser extent, Russia was able to capitalize on barley export opportunities in 2002-2003 when barley production in Australia and Canada decreased dramatically. This issue of the *Bi-weekly Bulletin* looks at the situation for Russia's grains and oilseeds sector, and examines the implications for Canada.

Background

Russia has a population of over 140 million (M), and it is in its second decade of economic reform following the collapse of the Soviet Union in 1991. Russia has made significant progress in the development of a market economy, but resistance to change has limited the growth in personal income, demand for food stuffs and agricultural production.

For 2005, Russia's Gross Domestic Product (GDP) is forecast to increase by 6.0%, down from 7.1% in 2004 and inflation is forecast at 9.4%, down from 10.9% in 2004. Since the financial collapse in 1998, Russia's real GDP has increased by 38% and the capitalisation of the Russian market has increased more than fivefold, to about \$US 250 billion (G). Foreign currency reserves are estimated at US\$95G. Much of Russia's positive economic performance is attributed to high oil and gas prices in recent years.

Generally speaking, the benefits of a fairly robust Russian economy have not trickled down to the average Russian worker and poverty continues to be a serious problem. Average salaries are about US\$3,000 per year and one-third of the population lives below the poverty line. At the same time, a small number of influential oligarchs derives the benefits from a very prosperous oil and gas sector

which accounts for over 50% of Russia's total exports.

Agriculture

The major field crops grown in Russia, in order of production, are wheat, barley, sunflower, oats, rye, and corn. Russia's main agricultural region extends nearly 5,000 kilometres from the Central District, which borders Ukraine and Belarus, to the western part of Siberia. In 2005, for example, out of the roughly 133 million hectares (Mha) of arable land, 47 Mha of grains and oilseeds were harvested. The remainder is pasture and meadows for livestock grazing.

Agriculture accounts for about 7% of Russia's GDP, considerably less than the industrial sector which contributes 40%. Russia's agricultural sector, which employs about 12% of its labour force, has grown about 4% annually, which is somewhat slower than the industrial sector which has been growing at an annual rate of 7% for the last couple of years.

Nevertheless, today's agricultural sector bears little resemblance to the one that existed in 1991 when the Soviet Union collapsed. From being a net importer of grains, Russia has moved to being one of the largest world exporters of grain. As livestock subsidies were removed following the collapse of the Soviet Union, Russia

responded by reducing livestock production. Today, Russia is a major importer of beef and poultry meat, and the US supplies over 50% of its poultry import needs.

At a time when livestock production has been on a general decline in Russia, the exceptions are swine and poultry production. Russia's swine production has steadily increased during the past decade and, for 2005, is expected to hit a record 36 million head. Similarly, poultry production has been increasing steadily and is expected to reach a record 0.7 million tonnes (Mt) in 2005. The increase in swine and poultry production is attributed to higher prices to producers, which can be tied to the gradual phase-in of tariff rate quotas for beef and pork imports and a quota being imposed on poultry imports.

Russia's Agri-Food Trade

Canada is not a major trading partner with Russia in terms of agri-food products. Brazil provides, on average, US\$1.3G annually in sales of agri-food products, followed by Ukraine which sells US\$0.9G of agri-food products annually. On the export side, both Kazakhstan and Ukraine buy, on average, US\$0.26G of agri-food products annually from Russia. Trade in agri-food products between Canada and Russia has averaged CAN\$144M per year for the past five

years, with Russia enjoying a slight trade surplus during this period. By far the largest category of Canadian agri-food exports to Russia is meat and edible meat offal, averaging CAN\$41M per year. The bulk of Canada's agri-food imports from Russia are fish and crustaceans, averaging CAN\$54M per year.

SITUATION 2005-2006

For the past decade, Russia's farmers have reduced by about 11% the total area seeded to the major field crops (wheat, barley, oats, corn, rye, sunflower seed, and soybeans.) At the same time, total production increased by about 15% due to significant increases in yields for most of the field crops grown in Russia. For example, wheat yields have increased by about 35% from the late 1990s. This is particularly significant because wheat is the largest field crop grown in Russia. A similar situation exists with barley production where, despite a 19% reduction in seeded area, production increased slightly due to a 28% increase in barley yields.

In terms of disposition, Russia quadrupled its exports of the major field crops during the past decade. The sevenfold increase in wheat exports and a quadrupling of barley exports between the early 1990s and the 2000-2004 period are particularly noteworthy. Russia's feed use, on the other hand, declined slightly as a 27% increase in swine production did not offset the 48% reduction in cattle production. In the past decade, Russia's oilseed crush has increased considerably due to a doubling of both sunflower seed and soybean crush.

Wheat

Wheat accounts for over half of Russia's annual grain production. Winter wheat is grown on about one-third of the total wheat area, but accounts for nearly half of Russia's total wheat production. Winter wheat varieties typically yield higher than the spring varieties. The downside to winter wheat production in Russia is that during an average year, about 13% of the crop is lost to winterkill.

Winterkill fluctuates significantly from year to year. It can result from frost damage; ice crust which smothers the crop; heaving from repeated freeze/thaw cycles, and soaking, which occurs in some of the more waterlogged regions. In 2002-2003, for example, winterkill affected 22% of the crop in the Southern District versus 2% in the following year. Crops that do not survive winter weather conditions are typically replanted in the spring to barley, sunflowers, or some other spring-seeded crop.

Wheat **production** is estimated at 48.0 Mt, up from 45.3 Mt in 2004-2005 due to a small increase in seeded area. **Exports** are forecast at 10.0 Mt, up 2.0 Mt from the previous year due to the increase in available supplies. **Feed use** is forecast at 15.3 Mt, up from 13.6 Mt in 2004-2005 due to the amount of feed wheat available and a small increase in livestock numbers. **Carry-out stocks** are forecast at 4.0 Mt, slightly above the 10-year average.

RUSSIA: WHEAT SUPPLY AND DISPOSITION

<i>crop year</i>	2003 -2004	2004 -2005	2005 -2006	2006 -2007
.....thousand tonnes.....				
Carry-in Stocks	6,133	2,645	3,791	3,991
Production	34,100	45,300	48,000	43,000
Imports	1,026	1,197	1,000	1,200
Supply	41,259	49,142	52,791	48,191
Exports	3,114	7,951	10,000	7,000
Feed Use	12,500	13,600	15,300	14,000
Food Use	23,000	23,800	23,500	23,500
Total Use	38,614	45,351	48,800	44,500
Carry-out Stocks	2,645	3,791	3,991	3,691

RUSSIA: BARLEY SUPPLY AND DISPOSITION

<i>crop year</i>	2003 -2004	2004 -2005	2005 -2006	2006 -2007
.....thousand tonnes.....				
Carry-in Stocks	4,706	2,227	2,163	1,263
Production	18,000	17,200	16,000	17,000
Imports	439	325	400	400
Supply	23,145	19,752	18,563	18,663
Exports	2,318	1,089	1,200	1,200
Feed Use	13,700	11,700	11,300	11,500
Food Use	4,900	4,800	4,800	4,800
Total Use	20,918	17,589	17,300	17,500
Carry-out Stocks	2,227	2,163	1,263	1,163

Source: USDA-FAS, December 2005

RUSSIA: OATS SUPPLY AND DISPOSITION

<i>crop year</i>	2003 -2004	2004 -2005	2005 -2006	2006 -2007
.....thousand tonnes.....				
Carry-in Stocks	580	189	239	239
Production	5,200	4,950	4,800	4,700
Imports	9	0	0	0
Supply	5,789	5,139	5,039	4,939
Exports	0	0	0	0
Feed Use	3,900	3,300	3,200	3,100
Food Use	1,700	1,600	1,600	1,600
Total Use	5,600	4,900	4,800	4,700
Carry-out Stocks	189	239	239	239

RUSSIA: RYE SUPPLY AND DISPOSITION

<i>crop year</i>	2003 -2004	2004 -2005	2005 -2006	2006 -2007
.....thousand tonnes.....				
Carry-in Stocks	1,805	355	105	150
Production	4,200	2,850	4,000	4,000
Imports	6	200	50	50
Supply	6,011	3,405	4,155	4,200
Exports	156	0	5	5
Feed Use	1,100	300	500	450
Food Use	4,400	3,000	3,500	3,600
Total Use	5,656	3,300	4,005	4,055
Carry-out Stocks	355	105	150	145

Source: USDA-FAS, December 2005

Barley

Barley is Russia's second major grain produced, with spring varieties accounting for 95% of total barley area and 90% of total production. About 70% of Russia's barley production has gone into the feed grain market in the past decade, but an expanding brewing industry has increased demand for malting grade barley. That increased demand for malting barley has stimulated efforts to increase the supply of domestic malting barley and the remainder is being met with increased imports.

Barley **production** is estimated at 16.0 Mt, down from 17.2 Mt in 2004-2005 due primarily to lower seeded area. **Exports** are forecast at 1.2 Mt, up from 1.1 Mt from the previous year. **Feed use** is forecast at 11.3 Mt, down from 11.7 Mt in 2004-2005. **Carry-out stocks** are estimated at 1.3 Mt, down significantly from 2.2 Mt in 2004-2005, due largely to lower available supplies of barley.

Oats

For the past decade, area seeded to oats has been in a steady decline in Russia. However, production has not decreased proportionately due to significant yield increases.

Oat **production** is estimated at 4.8 Mt, down from 5.0 Mt in 2004-2005 due to lower seeded area. **Feed use** is forecast at 3.2 Mt, down slightly from 3.3 Mt in 2004-2005 due to lower available supplies. **Carry-out stocks** are expected to be unchanged from the previous year at 0.2 Mt.

Rye

In the past decade, Russia has steadily decreased the amount of land seeded to rye in response to declining demand for food grade rye. Demand for feed rye has also declined. However, there have been significant yield improvements which have partially offset the decline in seeded area for rye.

Rye **production** is estimated at 4.0 Mt, up from 2.9 Mt in 2004-2005, due to a

to lower livestock numbers. The area seeded to grain corn fluctuates between 0.6 and 0.8 Mha depending on soil moisture conditions at planting time.

Corn **production** is estimated at 3.2 Mt, down from 3.5 Mt in 2004-2005, due to a lower seeded area which more than offset higher yields. With a decline in available supplies, **feed use** is forecast at 2.9 Mt versus 3.0 Mt in 2004-2005. **Carry-out stocks** are forecast at 0.2 Mt, down slightly from the previous year.

Sunflower seed

Sunflower seed is Russia's most important oilseed crop, and Russia is one of the world's top producers of sunflower seed. The steady growth in sunflower seed production is attributed to consistently high prices being paid to producers and the relatively low cost of production, factors which continue to maintain the profitability of sunflower seed production in Russia.

Sunflower seed **production** is estimated at 5.8 Mt, up from 4.8 Mt in 2004-2005, due to increased seeded area and higher yields. With that increase in available supplies, **exports** are expected to increase by 50% from the previous year, to 0.3 Mt in 2005-2006, and crush is forecast at 5.0 Mt, up from 4.3 Mt in 2004-2005. **Carry-out stocks** are forecast at 0.1 Mt, up significantly from the previous year.

OUTLOOK 2006-2007

Total production of Russia's major field crops is forecast at 78.2 Mt, down from 82.4 Mt in 2005-2006 due to lower expected yields which more than offset higher seeded area.

Wheat

Wheat **production** is forecast by Agriculture and Agri-Food Canada to decline by 10%, to 43.0 Mt, due primarily to a lower area seeded to winter wheat. With reduced supplies of wheat, **exports** are forecast at only 7.0 Mt, 30% below 2005-2006. **Feed use** is expected to decrease while **food use** is forecast to remain unchanged. **Carry-out stocks** are forecast at 3.7 Mt, down 7% from 2005-2006.

combination of higher seeded area and yields. Much of that increased supply is expected to translate into higher **food use** which is forecast at 3.5 Mt, up from 3.0 Mt in 2004-2005. **Carry-out stocks** are estimated at 0.2 Mt, up from 0.1 Mt in the previous year.

Corn

Only about 20% of the corn crop in Russia is harvested for grain. The remainder is used for silage, although the amount of silage produced in recent years has decreased dramatically due

RUSSIA: CORN SUPPLY AND DISPOSITION

<i>crop year</i>	2003 -2004	2004 -2005	2005 -2006	2006 -2007
	.....thousand tonnes.....			
Carry-in Stocks	113	159	259	209
Production	2,100	3,450	3,200	3,300
Imports	496	200	200	200
Supply	2,709	3,809	3,659	3,709
Exports	0	0	0	0
Feed Use	2,150	3,000	2,900	3,000
Food Use	400	550	550	550
Total Use	2,550	3,550	3,450	3,550
Carry-out Stocks	159	259	209	159

RUSSIA: SUNFLOWER SUPPLY AND DISPOSITION

<i>crop year</i>	2003 -2004	2004 -2005	2005 -2006	2006 -2007
	.....thousand tonnes.....			
Carry-in Stocks	25	70	60	95
Production	4,850	4,750	5,800	5,600
Imports	5	10	5	10
Supply	4,880	4,830	5,865	5,705
Exports	310	200	300	275
Feed Use	230	120	225	215
Food Use	270	200	295	280
Crush	4,000	4,250	4,950	4,850
Total Use	4,810	4,770	5,770	5,620
Carry-out Stocks	70	60	95	85

Source: USDA-FAS, December 2005

Barley

Barley **production** is forecast at 17.0 Mt, up from 16.0 Mt in 2005-2006.

Exports are expected to remain unchanged, at 1.2 Mt, and **feed use** is forecast at 11.5 Mt, up from slightly 11.3 Mt in 2005-2006. **Carry-out stocks** are forecast at 1.2 Mt, down from 1.3 Mt, and at a historically low level.

Oats

Oat **production** is forecast at 4.7 Mt, down from 4.8 Mt in 2005-2006. **Feed use** is expected to decrease marginally, to 3.1 Mt, due to a small decrease in available supplies and **carry-out stocks** are forecast to remain virtually unchanged at 0.2 Mt.

Rye

For 2006-2007, Russia's rye **production** is forecast to remain unchanged, at 4.0 Mt, and **food use** is expected to also increase slightly, to 3.6 Mt. **Carry-out stocks** are forecast to remain stable, at 0.15 Mt in 2006-2007.

Corn

For 2006-2007, Russia's corn **production** is forecast at 3.3 Mt, up slightly from 3.2 Mt, due to higher seeded area and despite an expectation of slightly reduced yields. **Feed use** is forecast to increase marginally, to 3.0 Mt, and **carry-out stocks** are forecast at 0.2 Mt, similar to 2005-2006.

Sunflower seed

For 2006-2007, Russia's sunflower seed **production** is forecast at 5.6 Mt, down from the previous year's record production of 5.8 Mt, as seeded area is expected to remain stable and yields return to normal levels. **Exports, crush** and **carry-out stocks** are expected to decrease slightly.

IMPLICATIONS FOR CANADA'S GRAINS AND OILSEEDS SECTOR

Russia's potential as a competitor in the world market for grain is currently constrained by the shortage of reliable farm machinery. The current supply of farm equipment is deteriorating quicker

than it is being replaced due to the heavy debt load that more than half of Russia's farms are carrying. As a result, these farmers are unable to secure the large, long-term loans needed to purchase the farm equipment and storage facilities required to compete with other major grain producers in the world. Infrastructure constraints include inadequate storage facilities and a road system which is in serious need of upgrading.

One of the factors favouring growth in grain production and exports include the considerable investment by vertically integrated companies into the agricultural sector. They are able to provide access to capital markets and modern inputs, improved management and minimized costs. A number of large domestic grain companies are leading in respective regional and functional markets. Transnational companies such as Cargill, Nidera, Louis Dreyfus, Glencore, Bunge and some others are present in the Russian grain market, especially in the exports operations sector. The shares of these companies are small, however their operations help to increase Russian grain market efficiency. For example, Louis Dreyfus has teamed-up with Russian agribusiness conglomerate Agros to form RusElCo., a primary grain handler which intends to build and operate 10 high-throughput grain elevators throughout the main Russian grain growing areas. In addition, US-based Bunge announced in October 2004, its purchase of the Rostov-na-Donu grain terminal north of the Black Sea.

Russia's agricultural sector is also expected to benefit from upgrades either being planned or being carried out at various port and grain handling facilities. This would include expansion and/or improvements at the ports of Taganrog and Yeysk, located on the Sea of Azov, the Black Sea port of Novorossiysk, the port of Vladivostok, located on the Sea of Japan, and the port of Astrakhan, located on the Caspian Sea. Total Russian port throughput capacity is

about 15 Mt, however, deep sea port capacity is only approximately 10 Mt. In response to limited capacity at Russian deep sea ports, Russian exporters have used facilities in Ukraine and other countries to reduce pooling and consolidation costs.

Over the medium-term, Russia's effect on Canada's ability to compete in world grain markets, especially that for wheat, is expected to be minimal. This is due to issues related to varietal development, assurance of supply and delivery, quality, consistency and infrastructure constraints. Canada continues to compete on the basis of consistency, quality and the dependability of supply.

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A. SELLING PRICE OF BULK FEED INGREDIENTS AT SELECTED POINTS														December 28, 2005				
SELECTED POINT	REFERENCE PERIOD	PRICE BASIS	(1) WHEAT	OATS	BARLEY	CORN	PRICE BASIS	SOYBEAN MEAL	CANOLA MEAL	MILL FEEDS	MEAT MEAL	FISH MEAL	ANIMAL FAT	GLUTEN FEED MEAL	GLUTEN FEED	FEED PEAS	DEHY ALFALFA	FEATHER MEAL
Vancouver (4) (7)	December 28, 2005	FOB	137.00	N/A	139.00	140.50		300.75	184.00	120.00		900.00	460.00					405.00
BC	December 19, 2005		134.00	N/A	135.00	132.50		272.50	147.00	117.00		900.00	460.00					405.00
Calgary	December 28, 2005	FOB	103.00	N/A	112.00	200.00		301.25			150.00	1000.00	495.00					410.00
AB	December 19, 2005		104.00	N/A	110.00	N/A		293.00			150.00	1000.00	495.00					410.00
Saskatoon	December 28, 2005	FOB	106.00	145.00	94.50	200.00		302.75	N/A		150.00	N/A	495.00			117.00		440.00
SK	December 19, 2005		103.50	126.00	89.00	N/A		283.00	N/A		150.00	N/A	495.00			116.67		440.00
Winnipeg	December 28, 2005	FOB	142.50	140.00	117.00	187.00		275.50	N/A		290.00	1012.50	525.00					365.00
MB	December 19, 2005		142.50	140.00	113.50	N/A		267.00	N/A		290.00	1012.50	525.00					365.00
Thunder Bay	December 28, 2005	In-Store	132.50	N/A	117.00													
ON	December 19, 2005		130.85	N/A	115.90													
Lake Ports	December 28, 2005	On Board				100.86												
USA	December 19, 2005	Vessel				87.05												
Bay Ports	December 28, 2005	In-Store	160.00	195.00	130.00													
ON	December 19, 2005		160.00	190.00	130.00													
Chatham	December 28, 2005	Track				120.65												
ON	December 19, 2005					109.97												
Toronto	December 28, 2005	N/A					FOB				182.00	N/A	450.00	425.00	114.00		285.00	300.00
ON	December 19, 2005										182.00	N/A	440.00	425.00	114.00		285.00	300.00
Hamilton	December 28, 2005	N/A						304.01	N/A									
ON	December 19, 2005							272.82	N/A									
Eastern	December 28, 2005	FOB				115.00												
ON	December 19, 2005					113.54												
London	December 28, 2005	FOB												425.00	114.00			
ON	December 19, 2005													425.00	114.00			
Port Colborne	December 28, 2005	FOB								102.50				425.00	114.00			
ON	December 19, 2005									102.50				425.00	114.00			
Cardinal	December 28, 2005	FOB												425.00	114.00			
ON	December 19, 2005													425.00	114.00			
Montreal	December 28, 2005		165.00	150.00	155.00	150.00		304.15	230.00	96.67	180.00	850.00	475.00	425.00	114.00		270.00	320.00
QC	December 19, 2005		165.00	155.00	155.00	140.00	FOB	279.99	216.10	93.33	180.00	850.00	436.50	425.00	114.00		270.00	370.00
Trois-Rivières	December 28, 2005	In-Store	163.60		152.10	128.14												
QC	December 19, 2005		164.50		153.80	199.79												
St. Jean QC (2)	December 28, 2005	FOB	145.50	140.00	140.50	143.00		262.00										
QC	December 19, 2005		152.50	139.50	137.50	140.00		262.00										
St. Hyacinthe QC	December 28, 2005	In-Store	163.20	N/A	171.11	144.60		291.74	222.53									
Quebec	December 19, 2005		164.83	N/A	171.74	138.03		278.07	217.73									
QC	December 28, 2005	Track	187.45		167.20	174.78		330.61	258.86		241.10		N/A					320.00
Truro	December 19, 2005		187.37		167.20	164.15	FOB	324.11	258.86		241.10		N/A					330.00
NS	December 28, 2005	Water		N/A	N/A	N/A												
Truro	December 19, 2005	& Truck	N/A	N/A	N/A	N/A												
NS	December 28, 2005	In-Store	N/A	N/A	N/A	N/A		N/A			1 050.00		N/A					
Halifax	December 19, 2005		N/A	N/A	N/A	N/A		N/A			297.50		N/A					
NS	December 28, 2005										297.50		N/A					

Source: Market Analysis Division, Agriculture and Agri-Food Canada; Thunder Bay prices are based on the Winnipeg Commodity Exchange (WCE) market close
 Contact: André Doumbé Statistical Clerk Telephone: (204) 983-0581 Fax: (204) 983-5524 Email: doumbea@agr.gc.ca
 US\$1.00 = CANS 1.1649
 Closing date Dec. 23/065
 N/A = not available

Footnotes: All prices in Canadian dollars per metric tonne based on survey respondents.
 Grain grades (unless otherwise specified) are: Western or Eastern Feed Wheat. Feed Oats. No.1 Canada Western or Eastern Barley. No.2 Canada Yellow Corn. No.3 US Yellow Corn.
 Soybean Meal 48 % Protein. Canola Meal based on minimum standard of 35% Protein. Fish Meal: white fish and/or herring meal. Gluten Meal 60% Protein. Gluten Feed 21% Protein.

(1) Wheat 3CWRS (2) Canadian Corn #3 or #2 (3) US Corn (4) Fish Meal from West Coast 63% Protein (5) Fish Meal 60% Protein (6) Herring Fish Meal (7) Fraser Valley (8) Wheat & Barley (Basis - Cash Price WCE) (9) Oats 3CW

B. CASH PRICES AND REPLACEMENT VALUES

December 28, 2005

PRAIRIE GRAINS

Selected Points	Price Basis		This week 28-Dec-05	Last week 19-Dec-05	Month ago 28-Nov-05	Year Ago 29-Dec-04
From: Thunder Bay(WCE) (2)	In-Store	Wheat	130.00	130.00	122.00	101.00
(CBOT)		Oat	193.75	184.00	180.50	156.40
(Lethbridge)		Barley	117.00	113.00	110.00	112.00
To: Bayport, ON (1)	In-store	Wheat	153.61	153.61	145.61	124.61
		Oat	N/A	N/A	N/A	N/A
		Barley	144.39	140.39	137.39	139.39
Montreal, QC (1)	In-store	Wheat	158.03	158.03	150.03	129.03
		Oat	N/A	N/A	N/A	N/A
		Barley	149.31	145.31	142.31	144.31
Moncton, NB	Truck via Halifax	Wheat	180.25	180.25	172.25	151.25
		Oat	N/A	N/A	N/A	N/A
		Barley	173.50	169.50	166.50	168.50
Truro, NS	Truck via Halifax	Wheat	174.22	174.22	166.22	145.22
		Oat	N/A	N/A	N/A	N/A
		Barley	171.00	167.00	164.00	166.00
Halifax, NS (1)	In-store	Wheat	165.28	165.28	157.28	136.28
		Oat	N/A	N/A	N/A	N/A
		Barley	157.30	153.30	150.30	152.30
Stephenville, NL	Track / Truck via Sydney	Wheat	228.63	228.63	220.63	199.63
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A
Melfort, SK		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Bayport, ON		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Montreal, QC		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Moncton, NB		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Truro, NS		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track / Truck via Sydney	Barley	N/A	N/A	N/A	N/A
Stephenville, NL		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A

Selected Points	Price Basis		This week 28-Dec-05	Last week 19-Dec-05	Month Ago 28-Nov-05	Year Ago 29-Dec-04
Corn						
From: US Lake Port	On Board Vessel		100.66	92.64	85.04	105.03
To: Montreal, QC (1)	In-store		119.70	111.68	104.08	124.07
From: Chicago (IL)	Track		97.91	94.46	92.17	103.10
To: Montreal, QC	Track		126.77	123.32	121.03	131.96
From: Chatham, ON	Track		120.65	123.03	103.43	106.55
To: Montreal, QC	Track		144.52	146.90	127.30	130.42

Soymeal 48% Protein						
From: Hamilton, ON			304.01	272.82	253.64	243.61
To: Montreal, QC	Track		328.34	297.15	277.97	267.94
Moncton, NB	Track		347.09	315.90	296.72	286.69
Truro, NS	Track		350.31	319.12	299.94	289.91
Stephenville, NL	Track / Truck via Sydney		398.94	367.75	348.57	338.54

- Prices include ONE month of storage and interest charges n/a = not available
- Thunder Bay prices are based on the Winnipeg Commodities Exchange market close (Cash price)

Source: Market Analysis Division, Agriculture and Agri-Food Canada
 Contact: André Doumbé: Statistical Clerk (204) 983-0581 Fax: (204) 983-5524 e-mail: doumbea@agr.gc.ca

Footnotes: All prices quoted in Canadian dollars per metric tonne.
 Grain grades (unless otherwise specified) are: Canada Western Feed Wheat, Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn.
 Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec.
 Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable

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* Includes **Canada: Grains and Oilseeds Outlook**

** Includes **Canada: Pulses and Special Crops Outlook**

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The Market Analysis Division provides timely market information, analysis and forecasting of supply, demand, trade and prices for domestic and international grains, oilseeds, pulse and special crops to industry and governments.

Grains, Oilseeds, Pulse and Special Crops

Market analysis and economic forecasts to enable the Program Team to implement risk management programs for farmers and to reduce financial risk of government grain-related programs.

- Recommendations of initial/adjustment payments under the Canadian Wheat Board Act and the Agricultural Marketing Programs Act (AMPA)
- Recommendations of spring credit advances (APF), and fall advances under AMPA
- Forecasts of farm-gate prices by province/crop/specific grade for Crop Insurance under the Farm Income Protection Act
- Market information and price forecasts for the Canadian Agricultural Income Stabilization (CAIS) Program
- Price and marketing forecasts for farm income for Risk Management Team

Market analysis and economic forecasts:

- a) to improve market signals to support grain marketing and market development
- b) to support Value Chain Roundtables to foster collaborative industry-government actions that will secure market success

- Preparation of market and policy analysis (e.g. country profile), commodity outlook and monthly forecasts of supply/demand/price outlook.
- Dissemination of market information/analysis via e-mail, Bi-weekly Bulletin, and the Market Analysis Division Online website (English/French).
- Feed Input and Feed Grain Price Weekly Survey for supply managed industries to establish cost of production
- Contribute to Grains and Oilseeds Industry Long Term International Strategies
- Market Research as required by the Grains & Oilseeds Value Chain Roundtable

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Bi-weekly Bulletin

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CANADIAN OUTLOOK FOR GRAINS, OILSEEDS, PULSES AND SPECIAL CROPS IN 2006-2007

Production of grains, oilseeds, pulses and special crops in Canada is forecast to decrease to 70 million tonnes (Mt) in 2006, from 72 Mt in 2005, largely due to lower yields. Total exports are projected to increase, while carry-out stocks are expected to decline. World wheat and oilseed prices are expected to decrease in 2006-2007 due to increased supplies in the major producing countries. World coarse grain prices are expected to increase slightly, mainly due to lower corn production in the United States (US). Canadian prices will continue to be pressured by the strong Canadian dollar. The market outlook is tentative due to the high degree of uncertainty regarding global supply and demand conditions. Normal weather patterns have been assumed. Unusual weather conditions in any of the major importing or exporting countries could significantly alter the outlook. Trade policy factors, such as the anti-dumping and countervail duties currently in place on grain corn imports from the US, will also affect the outlook for 2006-2007.

CANADIAN PRODUCTION OUTLOOK

Area seeded for 2006 will be influenced by expected net returns, current prices, expected delivery opportunities, crop rotation requirements, potential disease and pest problems, and on-farm stocks. The following forecasts are not based on a survey of farmers. The first survey of farmers' 2006 seeding intentions will be released by Statistics Canada on April 25, 2006.

Expected net returns by province were calculated using projected 2006 input costs, trend yields and current prices, to provide potential returns net of operating expenses for the major crops, as viewed by a farmer making planting decisions in early 2006. These projections indicate that, of the major western Canadian crops, non-durum wheat and oats generally have the highest potential net returns. Expected feed barley returns are not attractive, but much of this crop is grown for on-farm feeding, and malting barley returns are expected to be good, supporting barley area. Oat area is supported by good potential returns in Manitoba and Saskatchewan. High expected net returns for sunflower seed and chickpeas are projected to result in a shift into these crops. In eastern Canada, expectations of stronger corn prices resulting from the recently announced provisional anti-

dumping and countervailing duties (AD/CVD) on imports of US corn offset the impact of higher input costs, and corn area is expected to be relatively unchanged.

Canola and durum wheat supplies have reached burdensome levels, with durum deliveries restricted by Canadian Wheat Board (CWB) delivery contracts. These factors increase the incentive to reduce the area of these crops and increase the area of alternative crops such as non-durum wheat, oats and barley.

Agriculture and Agri-Food Canada (AAFC) forecasts that the areas seeded to non-durum wheat, oats, barley, corn, dry peas, sunflower seed, chickpeas and buckwheat will increase in 2006, but decrease for durum wheat, flaxseed, canola, soybeans, dry beans, lentils, mustard seed and canary seed. Summerfallow area is expected to decrease, but much of this will be due to the seeding of areas in Manitoba that were not seeded in 2005 due to excess moisture.

Normal abandonment rates and trend yields have been assumed for 2006. In general, yields in western Canada are expected to be well below the 2005 yields, which were well above normal due to near-ideal growing conditions in most regions, with ample moisture and no extreme heat. Grain and oilseed production in western Canada is

forecast to decline by 3% from 2005, to 49 Mt, with pulse and special crop production expected to be down by 8% to 4.7 Mt. In eastern Canada, production is projected to decrease by 4% to 15 Mt for grains and oilseeds, and by 11% to 0.2 Mt for pulses and special crops.

WHEAT

WORLD

World wheat production is expected to increase slightly in 2006-2007, to 621 Mt. Carry-out stocks are projected to increase only slightly, but major exporter¹ stocks are forecast to rise by 15%, to about 60 Mt, the highest in 15 years. Of particular importance is the US wheat supply and disposition outlook, as the major commodity futures markets are located in the US. US production is expected to increase by 5% to 2.2 billion bushels, with carry-out stocks forecast to rise significantly. The stock-to-use ratio is forecast at 32%, versus 24% in 2005-2006, the highest in 5 years. As a result, the average US farm price is expected to fall by 10%, to US\$3.00 per bushel (/bu).

¹ United States, European Union (EU-25), Canada, Australia and Argentina

World Price Outlook

World **non-durum wheat** prices are expected to decline in 2006-2007, as a result of the rising exporter stocks. The US Hard Winter Ordinary (HWO) wheat price, FOB Gulf, is forecast to decline to US\$130-140 per tonne (t) for 2006-2007 (August-July), compared to US\$155-165/t in 2005-2006 and US\$155/t in 2004-2005. Protein premiums are expected to decline, assuming normal protein levels in the US and Canadian spring wheat crops for 2006.

World **durum** prices are expected to decline slightly, but the premium to spring wheat is expected to increase due to lower supplies in the major exporting countries. However, these supplies are forecast at over 20 Mt, more than 1 Mt above the 10-year average, making a major price rally unlikely in the durum market. The US No.3 Hard Amber Durum (HAD) price, FOB Gulf, is forecast at US\$170-180/t, slightly lower than 2005-2006.

CANADA

Non-durum Wheat: Higher Production and Lower Prices

Non-durum wheat seeded area is forecast to increase by 12% in 2006. Production is projected to rise by 6%, with total supply rising by 4% to 27.4 Mt. Domestic feed use is projected to increase slightly, mainly due to increased feeding of soft red winter (SRW) wheat in Ontario. Exports are forecast to increase by almost 10%, assuming that the supply of good quality Canada Western Red Spring (CWRS) wheat increases. Carry-out stocks are projected to decline by more than 10%. CWB pool returns for **non-durum wheat** are forecast by AAFC to decline due to the lower world prices and the continued appreciation of the Canadian dollar. Returns for No.1 CWRS wheat with 11.5% protein are projected at \$170/t in-store Vancouver or St. Lawrence (US VC/SL), 11% below 2005-2006.

Durum Wheat: Lower Production and Slightly Lower Prices

Durum area is projected to decline by 9%, as a result of extremely high carry-in stocks, lower pool returns and poor delivery opportunities in 2005-2006. Production is forecast to fall by over 20%, but this will be largely offset by higher carry-in stocks, and total supply is projected to decline by only 3%, remaining the second highest on record. Exports are projected to decline slightly, due to lower world import demand and increased competition from other exporters. Carry-out

stocks are forecast to remain unchanged at a record 3.5 Mt. **Durum** pool returns are forecast to decline only slightly, with No.1 CWAD 11.5% at \$180/t, \$2/t lower than in 2005-2006. The projected premium over No.1 CWRS 11.5% is \$10/t, versus a discount of \$8/t in 2005-2006.

Ontario winter wheat seeded area has increased by almost 30%, to 0.45 million hectares, due to relatively strong wheat prices and an early soybean harvest. Production is forecast to rise by 30%, to a near-record 2.0 Mt. Feed use, particularly of SRW wheat, is expected to rise sharply due to large supplies and strong domestic feed prices in Ontario resulting from the corn AD/CVD. Exports are expected to be relatively unchanged at about 0.8 Mt.

COARSE GRAINS

WORLD

World coarse grain production is forecast to increase slightly from 2005-2006, to 960 Mt. Lower US corn production is expected to be more than offset by higher coarse grain production in the EU-25, the Black Sea region and South Africa. World supply, however, is expected to decline marginally, due to lower carry-in stocks. Carry-out stocks are projected to decrease by 13% to 135 Mt. World trade is forecast to increase slightly to 102 Mt.

US corn production is forecast to decrease by 5% to 267 Mt. Area seeded is expected to decrease because of large carry-in stocks and high input costs. The lower US supply is expected to more than offset higher supplies in the EU and South Africa, supporting world corn prices. The average US farm price for corn is forecast by AAFC to increase to US\$2.05/bu from US\$1.80/bu for 2005-2006.

World barley production is forecast to increase by 7% to 145 Mt, rising for all major exporters except Australia. Total supply is expected to increase only slightly due to lower carry-in stocks. World barley trade is forecast to increase by 3% to 17.5 Mt. World carry-out stocks are expected to increase by 4%. As a result, world prices are projected to decrease slightly for feed barley and be similar to 2005-2006 for malting barley.

CANADA

Barley: Higher Production and Higher Prices

Area seeded to barley is forecast to increase by 8% from 2005-2006, with production rising by 3% to 12.9 Mt. Total supply, however, is expected to decrease marginally, as a result of lower carry-in stocks. Domestic feed consumption is projected to increase by 8%, due to larger inventories of, and higher prices for, cattle and hogs. Feed barley shipments from western to eastern Canada are forecast to increase, as a result of lower eastern corn imports from the US associated with the AD/CVD on unprocessed US corn. Assuming normal crop quality, malting barley exports are expected to increase to over 1.0 Mt. Feed barley exports, however, are forecast to decrease, as deliveries to the CWB are expected to become less attractive than the off-Board market. Carry-out stocks are expected to decline by over 25% to 2.2 Mt. Domestic feed barley prices are forecast to increase by about 10%, to \$125/t for 1CW, in-store Lethbridge, while export prices decline slightly. The CWB pool returns for malting barley are projected to decrease for Six-Row varieties but remain unchanged for Two-Row varieties.

Corn: Lower Production and Higher Prices

Forecasts are very tentative, depending on the final countervail and anti-dumping decision from the Canada Border Services Agency (CBSA), expected March 15, 2006, and the final injury decision of the Canadian International Trade Tribunal, expected on April 18, 2006. If final AD/CVD duties are imposed at levels similar to the provisional duties announced December 15, 2005 by the CBSA, they are expected to support domestic prices. Despite the expected increase in input costs, corn area would be forecast to increase by 4% from 2005-2006. Production would be projected to decrease to 9.0 Mt, due mainly to lower yields, and total domestic supply is expected to decrease by 9%. Higher corn prices would be expected to decrease feed use significantly as feed grains from western Canada are substituted for corn and exports of lighter animals increase. Despite lower domestic production, corn imports would be expected to decrease significantly because of the lower than anticipated feed use and ethanol production partly related to the duty on grain corn imports from the US. If final duties are imposed at levels similar to the

CBSA's provisional duties, the average price of corn, Chatham elevator, would be forecast to increase from \$110/t for 2005-2006 to \$115-135/t for 2006-2007.

Oats: Higher Production and Lower Prices

The area seeded to oats is forecast to increase by 15% from 2005-2006, as a result of higher prices and lower production costs relative to other crops. Production is projected to increase by 18% to 4.0 Mt. Total supply is expected to increase by 11%, as higher production more than offsets lower carry-in stocks. While domestic food use is expected to remain steady, feed use is projected to increase. Despite stronger competition from the EU, Canadian exports, mainly to the US, are forecast to increase by 6% to 1.7 Mt, due to increased supplies of milling quality oats. The average nearby Chicago Board of Trade oat price is forecast to decrease to CAN\$125/t, from CAN\$135/t for 2005-2006.

OILSEEDS

WORLD

World production of the eight major oilseeds is forecast to decrease slightly, to 380 Mt, for 2006-2007. World oilseed supplies are forecast to remain stable at record highs, as the drop in output is mostly offset by a 9% rise in carry-out stocks. World oilseed use is forecast at a record 386 Mt, supported by increased vegoil and protein meal consumption in China and India. In the EU-25 and the US the consumption of veg-oil for bio-diesel production is forecast to continue rising on support from strong crude oil prices. Trade is projected to rise to 83 Mt as the oilseed industry continues to expand in emerging economy countries while carry-out stocks are forecast to decline slightly from the record highs set in 2005-2006.

World soybean production is forecast to decrease slightly, to 217 Mt, from the record 222 Mt grown in 2005-2006. Production in the US is projected to decline slightly because of lower yields while South American planted area falls under pressure from low prices, higher input costs and credit constraints.

World soybean usage is forecast to rise to a record 218 Mt on support from increased Chinese, South American and US crush. Strong growth in soyoil usage in China, the

US and in the Middle East is expected. However, the growth in world soymeal usage, supported over the past several years by increased meat consumption in Asia, is being tempered by the widespread outbreaks of HN51 Avian Influenza in Asian poultry flocks. Concerns over the possible spread of an epidemic into other regions has increased uncertainty and pressured prices in the protein meal market.

US Soybean Prices Decrease Slightly

The US farm price of soybeans is projected to decline to US\$5.00/bu, from US\$5.35/bu for 2005-2006, under pressure from burdensome carry-out stocks which are near 20 year highs. Soyoil prices are expected to fall by 10% to US\$0.21 per pound for 2006-2007, under pressure from high oil yields and burdensome carry-in stocks. Similarly, soymeal prices are projected to decrease slightly to US\$165 per short ton under pressure from high supplies and constrained exports for 2006-2007.

CANADA

Canola: Lower Production and Lower Prices

The area seeded to canola is forecast to decline by 12% because of low prices and burdensome carry-in stocks. Production is projected to drop by 22%, but is still expected to be the fifth highest on record. Total supply is expected to decrease at a slower pace due to the record-high carry-in stocks. Domestic crush and exports are forecast to be unchanged at near record levels, but will face stiff competition from large competing supplies of soybeans and palm oil. Carry-out stocks are forecast to decline but remain extremely burdensome. The average price is forecast to decline under pressure from burdensome Canadian canola carry-out stocks and low US soyoil prices.

Flaxseed: Lower Production and Stable Prices

The area seeded to flaxseed is forecast to fall by about 4% from the 10 year highs set in 2005-2006, because of burdensome carry-in stocks and low prices relative to cereals. Production is projected to decline by 12%, but remain sharply above the 5 year average. Total supply is projected to rise to the highest level since 1999-2000 as the large carry-in stocks more than offset the drop in output. Exports are forecast to remain stable on steady EU and US import demand and continued high crude oil prices.

Carry-out stocks are expected to rise, but remain below 20 year highs. The average price is expected to remain stable.

Soybeans: Lower Production and Lower Prices

The area seeded to soybeans is forecast to decline due to competitive expected net returns for corn. Production is forecast to decline slightly. Total supply is projected to fall by 4%, despite support from higher imports. Domestic crush is forecast to remain stable at a near record pace while exports are projected to remain near record highs as a result of strong world demand for edible soybeans. The average Chatham price will be pressured by low US soybean prices and is forecast to decline slightly from 2005-2006.

PULSE AND SPECIAL CROPS

Dry Peas: Lower Production and Higher Prices

World production is forecast to increase by 4% from 2005-2006, to 11.7 Mt, due to higher production in the EU and US. Supply is expected to increase by 2% to 12.5 Mt.

Canadian seeded area is forecast to increase because of good deliveries in 2005-2006, relatively low carry-in stocks and low fertilizer requirements, but with production declining marginally due to lower yields. Supply is forecast to decrease because of lower production and carry-in stocks. Exports are expected to decrease because of higher world production and lower Canadian supply, while domestic use increases because of stronger demand in the domestic feed market. Carry-out stocks are forecast to decrease, with a stocks-to-use ratio (s/u) of 8%.

The pressure from higher world supply is expected to be more than offset by stronger demand, especially in the domestic feed market. Therefore, the average price of dry peas over all grades, types and markets, is forecast to increase slightly.

Lentils: Lower Production and Stable Prices

World production is expected to decrease by 7% to 3.8 Mt, but supply is forecast to increase by 2% to 4.6 Mt.

Canadian seeded area is forecast to decrease due to historically low prices,

relatively low expected net returns and high carry-in stocks, with production forecast to drop by 25%. Production of red lentils is expected to increase while production of green lentils decreases. Supply is expected to increase slightly, due to higher carry-in stocks. Exports are forecast to increase due to stronger demand and higher Canadian supply of red lentils. Carry-out stocks are expected to increase slightly, with a s/u ratio of 64%. The average price of lentils over all grades and types is forecast to remain stable as pressure from higher world supply is offset by stronger demand.

Dry Beans: Higher Production and Stable Prices

The most important influence on Canadian dry bean prices is US production, which is forecast to decrease by 13% to 1.03 Mt because of lower seeded area, higher abandonment and lower yields. However, US supply is expected to decrease by only 5% to 1.26 Mt due to higher carry-in stocks.

Canadian seeded area is forecast to decrease because of historically low prices, but production and supply are forecast to rise due to lower abandonment and higher yields. Exports are expected to increase due to the higher supply. Carry-out stocks are forecast to increase but remain relatively low, with a s/u of 9%. The average price, over all classes and grades, is forecast to remain stable as pressure from higher Canadian supply is offset by lower US supply.

Chickpeas: Higher Production and Lower Prices

World production is forecast to remain stable at 8.6 Mt, with an increase for the kabuli type and a decrease for the desi type. Supply is expected to increase marginally to 9.0 Mt because of higher carry-in stocks.

Canadian seeded area is forecast to increase due to good prices and relatively high expected net returns. Production and supply are forecast to increase only slightly as a result of lower yields. Exports are forecast to increase slightly and carry-out stocks are expected to increase but remain relatively low. The average price, over all types, grades and sizes, is forecast to decrease due to the higher world supply of the kabuli type, which accounts for about 90% of Canadian production.

Mustard Seed: Lower Production and Higher Prices

World mustard seed trade is dominated by Canada. Canadian seeded area is forecast to decrease sharply because of historically low prices and relatively low expected net returns. Production and supply are both forecast to decrease. Exports are expected to increase due to higher demand and carry-out stocks are forecast to decrease, with a s/u ratio of 48%. The average price, over all types and grades, is forecast to increase due to the lower supply.

Canary Seed: Lower Production and Higher Prices

World canary seed production is forecast to decrease by 31% to 185,000 because of lower production in Canada. Supply is expected to decrease by only 16% to 365,000 due to higher carry-in stocks.

Canadian seeded area is forecast to decrease sharply because of historically low prices, relatively low expected net returns and high carry-in stocks. Production and supply are forecast to decrease. Exports are expected to increase slightly due to higher demand and carry-out stocks are forecast to decrease, with a s/u ratio of 44%. The average price is forecast to increase slightly due to the lower supply.

Sunflower Seed: Higher Production and Marginally Higher Prices

World sunflower seed production and supply are forecast to decrease by 3% to 28.6 Mt and 30.1 Mt, respectively. US production is expected to decrease by 18% to 1.5 Mt, due to lower trend yields, and supply is forecast to decrease by 9% to 1.75 Mt.

Canadian seeded area is forecast to increase due to relatively high expected net returns. Production and supply are forecast to increase because of the higher seeded area, lower abandonment and higher yields. Exports are expected to increase because of lower supply in the US and higher Canadian supply. Carry-out stocks are forecast to increase, but remain relatively low with a s/u ratio of 13%. The price of the oilseed type is expected to be supported by lower world and US supply, while the price of the confectionery type is expected to be stable due to stable North American supply. Therefore, the average

price, over both types and all grades, is forecast to increase only marginally.

Buckwheat: Production and Prices Remain Stable

Canadian production and supply are forecast to remain stable, as a higher seeded area is offset by lower yields. Prices are expected to remain stable.

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ESTIMATED NET REVENUE: 2006-2007

MANITOBA

Variable Costs ^{2/}

	Wheat CWRS	Barley Feed ^{1/}	Canola	Flaxseed	Soybeans	Oats	Sunflower Confectionery	Dry Peas Green (food)	Feed
	.....\$/ha.....								
Seed (inc. treatment)	29	28	64	33	132	27	90	64	64
Fertilizer	89	89	107	77	34	82	107	47	47
Chemical	78	65	97	53	108	26	145	70	70
Fuel	37	37	37	37	39	37	38	38	38
Repairs	26	26	26	26	25	26	28	27	27
Crop Insurance	14	12	22	15	21	16	19	15	15
Interest	8	8	10	7	10	6	13	8	8
Other	20	20	20	20	21	20	37	21	21
Total Variable Costs	300	285	383	267	391	240	477	290	290

Projected Returns ^{3/}

	2 CWRS*	1 CW	1 CAN	1 CW	2 CAN	1 CW	1 CAN	2 CAN	Feed
Projected Yield (t/ha)	2.65	3.35	1.75	1.35	2.00	2.90	1.45	2.50	2.50
Current Price (\$/t)	137	71	220	243	225	128	375	130	110
Projected Revenue (\$/ha)	363	238	385	328	450	371	544	325	275

Net Return/(Loss) (\$/ha)

63	(47)	2	61	59	131	67	35	(15)
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SASKATCHEWAN: Brown Soil Zone - conventional seeded stubble

Variable Costs ^{4/}

Seed (inc. treatment)	18	21	15	15	60	44	185	51
Fertilizer	66	66	66	66	20	66	20	20
Chemicals	39	40	37	37	95	44	170	82
Fuel	38	38	38	38	42	40	42	42
Repairs	18	18	18	18	28	18	28	28
Crop Insurance	9	10	11	11	33	17	32	25
Interest	5	5	5	5	7	6	11	6
Other	22	22	19	19	20	18	17	17
Total Variable Costs	215	220	209	209	304	252	504	270

Projected Returns ^{3/}

	1 CWRS*	1 CWAD*	1 CPS	1 CW	1 CAN	1 CAN	2 CW	2 CW
Projected Yield (t/ha)	1.80	1.80	2.25	2.00	1.20	0.85	1.10	1.20
Current Price (\$/t)	149	147	98	80	265	275	660	250
Projected Revenue (\$/ha)	268	265	221	160	318	234	726	300

Net Return/(Loss) (\$/ha)

54	44	12	(49)	14	(18)	222	30
----	----	----	------	----	------	-----	----

SASKATCHEWAN: Black Soil Zone - conventional seeded stubble

Variable Costs ^{4/}

Seed (inc. treatment)	19	16	16	21	46	37	22	70	17
Fertilizer	81	81	81	81	16	16	71	88	81
Chemicals	52	47	47	25	69	64	60	58	52
Fuel	38	38	38	38	42	42	42	40	38
Repairs	24	24	24	24	35	35	29	24	24
Crop Insurance	11	11	11	13	17	17	16	18	19
Interest	6	5	5	5	6	5	6	7	6
Other	30	24	24	24	22	22	24	24	27
Total Variable Costs	262	248	248	233	252	238	271	330	264

Projected Returns ^{3/}

	2 CWRS*	SS2R	1 CW	3 CW	2 CAN	Feed	2 CW	1 CW	
Projected Yield (t/ha)	2.25	2.65	2.85	2.35	2.15	2.15	1.20	1.50	1.00
Current Price (\$/t)	135	113	75	117	120	100	233	217	185
Projected Revenue (\$/ha)	304	299	214	275	258	215	280	326	185

Net Return/(Loss) (\$/ha)

42	52	(34)	42	6	(23)	9	(4)	(79)
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Current prices as of January 3, 2006. For wheat, durum and malting barley, the December 2005 PRO is used. Totals may not add due to rounding.

^{1/} Off-Board ^{2/} 2005 Manitoba Agriculture, Food and Rural Initiatives variable costs adjusted by the projected Farm Input Price Index (FIPi)

^{3/} AAFC forecast, January 2006

^{4/} 2005 Saskatchewan Agriculture, Food and Rural Revitalization variable costs adjusted by the FIPi

* Wheat: 13.5% protein / Durum: 13.0% protein

ESTIMATED NET REVENUE: 2006-2007

ALBERTA: Brown Soil Zone - stubble

Wheat		Barley Feed ^{1/}	Canola	Lentils Large Green	Chickpeas Large Kabuli	Mustard Yellow
CWRS	Durum					
.....\$/ha.....						
24	27	19	32	67	174	27
67	67	67	46	16	16	75
61	61	31	57	50	76	63
22	22	22	22	22	22	22
17	17	17	17	19	19	17
20	22	22	32	20	25	30
3	3	3	3	3	3	3
27	28	29	26	25	25	25
240	245	209	234	222	359	240

Variable Costs ^{2/}

Seed (inc. treatment)
Fertilizer
Chemical
Fuel
Repairs
Crop Insurance
Interest
Other
Total Variable Costs

Projected Returns ^{3/}

Projected Yield (t/ha)
Current Price (\$/t)
Projected Revenue (\$/ha)

1 CWRS*	1 CWAD*	1 CW	1 CAN	1 CAN	2 CW	1 CAN
1.80	1.80	1.90	1.35	1.20	1.20	0.85
158	150	83	220	270	660	275
284	270	158	297	324	792	234

Net Return/(Loss) (\$/ha)

45	25	(51)	63	102	433	(27)
----	----	------	----	-----	-----	------

ALBERTA: Black Soil Zone - stubble

Wheat		Barley Feed ^{1/}	Oats	Dry Peas		Canola
CWRS	CPS			Green (food)	Feed	
.....\$/ha.....						
33	40	27	27	80	80	48
116	116	116	116	32	32	142
59	59	52	19	65	65	77
32	32	32	32	32	32	32
33	33	33	33	36	36	33
25	25	22	23	25	25	27
5	5	5	5	5	5	6
44	46	48	45	44	44	28
348	357	335	301	319	319	395

Variable Costs ^{2/}

Seed (inc. treatment)
Fertilizer
Chemicals
Fuel
Repairs
Crop Insurance
Interest
Other
Total Variable Costs

Projected Returns ^{3/}

Projected Yield (t/ha)
Current Price (\$/t)
Projected Revenue (\$/ha)

2 CWRS*	1 CPS	1 CW	1 CW	2 CAN	Feed	1 CAN
2.50	3.40	3.25	2.45	2.40	2.40	1.75
144	107	83	104	130	110	220
360	364	270	255	312	264	385

Net Return/(Loss) (\$/ha)

12	7	(65)	(46)	(7)	(55)	(10)
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ONTARIO: conventional seeded

Wheat		Barley Feed ^{1/}	Corn Grain	Soybeans	Dry Beans White Pea	Canola Winter
SRW	HRW					
.....\$/ha.....						
95	126	84	156	97	146	89
158	204	154	193	59	84	247
38	38	100	110	103	167	78
29	29	29	44	29	47	23
41	41	41	43	43	46	33
20	20	10	41	39	45	25
18	22	14	21	12	15	13
40	40	24	182	44	23	28
440	520	456	789	426	575	535

Variable Costs ^{4/}

Seed (inc. treatment)
Fertilizer
Chemicals
Fuel
Repairs
Crop Insurance
Interest
Other
Total Variable Costs

Projected Returns ^{3/}

Projected Yield (t/ha)
Current Price (\$/t)
Projected Revenue (\$/ha)

1 CERW	1 CERW*	Feed	2 CE	2 CAN	1 CAN	1 CAN
5.00	4.25	3.30	8.00	2.60	2.00	2.10
115	140	105	112	240	485	220
575	595	347	896	624	970	462

Net Return/(Loss) (\$/ha)

135	75	(109)	107	198	395	(73)
-----	----	-------	-----	-----	-----	------

Current prices as of January 3, 2006. For wheat and durum in Alberta, the December 2005 PRO is used. Totals may not add due to rounding.

^{1/} Off-Board

^{2/} 2005 Alberta Agriculture, Food and Rural Development variable costs adjusted by the FIPI

^{3/} AAFC forecast, January 2006

^{4/} 2005 Ontario Ministry of Agriculture, Food and Rural Affairs variable costs adjusted by the FIPI

* CWRS: 13.5% protein / CWAD: 13.0% protein / CERW 12.0% protein

CANADA: GRAINS AND OILSEEDS SUPPLY AND DISPOSITION

January 20, 2006

Grain and Crop Year (a)	Area Seeded thousand ha	Area Harvested thousand ha	Yield t/ha	Production	Imports (b)	Total Supply	Exports (c)	Food & Industrial Use (e)	Feed, Waste & Dockage	Total Domestic Use (d)	Carry-out Stocks	Average Price (f) \$/t
thousand metric tonnes												
Durum												
2004-2005	2,230	2,141	2.32	4,962	1	6,752	3,218	257	533	1,013	2,521	201
2005-2006f	2,341	2,297	2.58	5,915	1	8,436	3,700	260	778	1,236	3,500	182 *
2006-2007f	2,130	2,090	2.23	4,665	1	8,166	3,500	265	700	1,166	3,500	180 **
Wheat Except Durum												
2004-2005	8,169	7,722	2.71	20,898	13	25,203	11,593	2,791	4,574	8,138	5,471	190
2005-2006f	7,784	7,530	2.77	20,860	15	26,347	13,200	2,825	4,045	7,747	5,400	190 *
2006-2007f	8,693	8,460	2.60	22,000	15	27,415	14,500	3,100	4,160	8,115	4,800	170 **
All Wheat												
2004-2005	10,399	9,862	2.62	25,860	14	31,955	14,812	3,048	5,107	9,151	7,992	
2005-2006f	10,125	9,826	2.72	26,775	16	34,783	16,900	3,085	4,823	8,983	8,900	
2006-2007f	10,823	10,550	2.53	26,665	16	35,581	18,000	3,365	4,860	9,281	8,300	
Barley												
2004-2005	4,678	4,050	3.26	13,186	83	15,371	1,863	263	9,362	10,019	3,489	112
2005-2006f	4,440	3,889	3.21	12,481	30	16,000	2,400	360	9,835	10,600	3,000	100-120
2006-2007f	4,815	4,210	3.06	12,900	30	15,930	2,300	360	10,665	11,430	2,200	115-135
Corn												
2004-2005	1,185	1,072	8.24	8,837	2,422	12,401	242	2,395	7,951	10,358	1,802	101
2005-2006f	1,124	1,096	8.63	9,461	1,800	13,062	200	2,450	8,897	11,362	1,500	90-110
2006-2007f	1,170	1,130	7.96	9,000	1,500	12,000	150	2,750	7,785	10,550	1,300	110-130
Oats												
2004-2005	1,995	1,315	2.80	3,683	26	4,497	1,675	110	1,568	1,834	988	131
2005-2006f	1,853	1,326	2.59	3,432	15	4,435	1,600	140	1,625	1,935	900	125-145
2006-2007f	2,136	1,550	2.58	4,000	15	4,915	1,700	140	1,900	2,215	1,000	115-135
Rye												
2004-2005	284	165	2.53	418	1	487	122	48	155	220	145	69
2005-2006f	223	148	2.42	359	1	505	150	48	170	235	120	65-85
2006-2007f	207	150	2.33	350	1	471	150	48	176	241	80	75-95
Mixed Grains												
2004-2005	220	111	2.87	318	0	318	0	0	318	318	0	
2005-2006f	209	109	2.78	303	0	303	0	0	303	303	0	
2006-2007f	215	115	2.87	330	0	330	0	0	330	330	0	
Total Coarse Grains												
2004-2005	8,362	6,713	3.94	26,442	2,531	33,074	3,901	2,817	19,354	22,749	6,424	
2005-2006f	7,850	6,568	3.96	26,036	1,846	34,306	4,350	2,998	20,831	24,436	5,520	
2006-2007f	8,542	7,155	3.71	26,580	1,546	33,646	4,300	3,298	20,856	24,766	4,580	
Canola												
2004-2005	5,319	4,938	1.57	7,728	108	8,444	3,412	3,031	328	3,403	1,629	309
2005-2006f	5,491	5,253	1.84	9,660	150	11,440	4,500	3,300	595	3,940	3,000	245-285
2006-2007f	5,053	4,890	1.60	7,800	150	10,950	4,500	3,300	405	3,750	2,700	235-275
Flaxseed												
2004-2005	728	528	0.98	517	38	648	468	n/a	n/a	150	30	n/a
2005-2006f	842	803	1.35	1,082	20	1,132	700	n/a	n/a	232	200	265-305
2006-2007f	805	782	1.21	950	20	1,170	700	n/a	n/a	245	225	265-305
Soybeans												
2004-2005	1,229	1,178	2.59	3,048	393	3,581	1,122	1,610	457	2,190	270	248
2005-2006f	1,176	1,169	2.70	3,161	250	3,681	1,150	1,750	421	2,281	250	210-250
2006-2007f	1,144	1,125	2.53	2,850	450	3,550	1,150	1,750	400	2,250	150	205-245
Total Oilseeds												
2004-2005	7,277	6,643	1.70	11,293	539	12,673	5,002	n/a	n/a	5,743	1,929	
2005-2006f	7,510	7,225	1.92	13,904	420	16,253	6,350	n/a	n/a	6,453	3,450	
2006-2007f	7,002	6,797	1.71	11,600	620	15,670	6,350	n/a	n/a	6,245	3,075	
Total Grains And Oilseeds												
2004-2005	26,038	23,219	2.74	63,596	3,084	77,702	23,715	n/a	n/a	37,643	16,345	
2005-2006f	25,484	23,620	2.82	66,715	2,282	85,341	27,600	n/a	n/a	39,871	17,870	
2006-2007f	26,368	24,502	2.65	64,845	2,182	84,897	28,650	n/a	n/a	40,292	15,955	

(a) August - July crop year except corn and soybeans which are September - August.

(b) Excludes imports of products. (c) Includes exports of products for wheat, oats, barley, and rye. Excludes exports of oilseed products.

(d) Total Domestic Use = Food and Industrial Use + Feed Waste & Dockage + Seed Use

(e) Soybean food and industrial use is based on data from the Canadian Oilseed Processors Association. Total excludes flaxseed due to data confidentiality.

(f) Crop year average prices: No.1 CWRS 11.5% protein and No.1 CWAD 11.5% (CWB final price I/S St. Lawrence/Vancouver), Barley (No. 1 feed, WCE, cash, I/S Lethbridge), Corn (No.2 CE, cash, I/S Chatham), Oats (US No. 2 Heavy, CBoT nearby futures); Rye (No.2 Canada, Elevator bids at select western delivery points); Canola (No. 1 Canada, WCE, cash, I/S Vancouver); Flaxseed (No. 1 CW, WCE, cash, I/S Thunder Bay); Soybeans (No. 2, I/S Chatham).

* Canadian Wheat Board WB Pool Return Outlook - December 22, 2005

** AAFC forecast, January, 2006

F: forecast; Agriculture and Agri-Food Canada - January 6, 2006

Source: Statistics Canada, Cereals and Oilseeds Review Series, Cat. No. 22-007

CANADA: PULSE AND SPECIAL CROPS SUPPLY AND DISPOSITION

January 20, 2006

Grain and Crop Year (a)	Area Seeded thousand ha	Area Harvested thousand ha	Yield t/ha	Production	Imports (b)	Total Supply	Exports (b)	Total Domestic Use (d)	Carry-out Stocks	Average Price (e) \$/t
						thousand metric tonnes				
Dry Peas										
2002-2003	1,297	1,050	1.30	1,365	41	1,681	628	743	310	210
2003-2004	1,303	1,271	1.67	2,124	24	2,458	1,316	937	205	175
2004-2005	1,388	1,345	2.48	3,338	56	3,599	1,845	1,159	595	135
2005-2006f	1,366	1,319	2.35	3,100	90	3,785	2,200	1,235	350	105-135
2006-2007f	1,450	1,400	2.17	3,040	100	3,490	1,950	1,290	250	110-140
Lentils										
2002-2003	601	387	0.91	354	9	494	320	119	55	390
2003-2004	554	536	0.97	520	5	580	368	174	38	420
2004-2005	778	750	1.28	962	10	1,010	450	315	245	310
2005-2006f	884	862	1.48	1,278	10	1,533	620	323	590	235-265
2006-2007f	820	780	1.23	960	10	1,560	650	300	610	235-265
Dry Beans										
2002-2003	230	219	1.89	414	40	489	298	96	95	445
2003-2004	167	167	2.13	356	31	482	344	83	55	495
2004-2005	163	126	1.75	220	28	303	277	21	5	650
2005-2006f	200	177	1.84	326	40	371	300	46	25	490-520
2006-2007f	189	185	1.95	360	30	415	320	60	35	490-520
Chickpeas										
2002-2003	221	154	1.01	156	9	305	105	140	60	300
2003-2004	63	63	1.08	68	2	130	74	36	20	330
2004-2005	47	39	1.31	51	4	75	47	23	5	385
2005-2006f	79	73	1.42	104	5	114	70	34	10	445-475
2006-2007f	98	90	1.22	110	5	125	75	35	15	415-445
Mustard Seed										
2002-2003	289	255	0.60	154	9	196	114	22	60	595
2003-2004	340	328	0.69	226	2	288	121	75	92	390
2004-2005	317	304	1.01	306	1	399	119	86	194	295
2005-2006f	212	206	0.98	201	1	396	135	81	180	260-290
2006-2007f	166	160	0.91	145	1	326	145	76	105	275-305
Canary Seed										
2002-2003	287	227	0.78	176	0	206	164	22	20	575
2003-2004	251	243	0.93	226	0	246	167	12	67	345
2004-2005	356	318	0.95	301	0	368	163	35	170	230
2005-2006f	190	186	1.22	227	0	397	175	42	180	175-205
2006-2007f	152	145	1.00	145	0	325	180	45	100	195-225
Sunflower Seed										
2002-2003	100	95	1.65	157	21	200	105	60	35	440
2003-2004	119	115	1.30	150	16	201	96	80	25	405
2004-2005	87	59	0.92	54	35	114	32	64	18	490
2005-2006f	93	75	1.19	89	25	132	45	72	15	340-370
2006-2007f	103	96	1.46	140	20	175	80	75	20	345-375
Buckwheat										
2002-2003	12	12	1.00	12	1	16	6	7	3	340
2003-2004	9	9	1.11	10	1	14	5	7	2	355
2004-2005	9	7	0.71	5	1	8	4	4	0	355
2005-2006f	7	6	1.33	8	1	9	4	5	0	340-370
2006-2007f	8	7	1.14	8	1	9	4	5	0	340-370
Total Pulse And Special Crops (c)										
2002-2003	3,036	2,399	1.16	2,788	130	3,587	1,740	1,209	638	
2003-2004	2,805	2,732	1.35	3,680	81	4,399	2,491	1,404	504	
2004-2005	3,145	2,948	1.78	5,237	135	5,876	2,937	1,707	1,232	
2005-2006f	3,031	2,904	1.84	5,333	172	6,737	3,549	1,838	1,350	
2006-2007f	2,986	2,863	1.71	4,908	167	6,425	3,404	1,886	1,135	

(a) August-July crop year.

(b) Excludes products.

(c) Includes Pulse Crops (dry peas, lentils, dry beans, chick peas) and Special Crops (mustard seed, canary seed, sunflower seed, buckwheat)

(d) Includes food, feed, seed, waste and dockage. Total domestic use is calculated residually.

(e) Producer price, FOB plant. Average over all types, grades and markets.

f: forecast, Agriculture and Agri-Food Canada, January 6, 2006

Source: Statistics Canada and industry consultations.



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DRY PEAS: SITUATION AND OUTLOOK

Canada is normally the largest producer and exporter of dry peas in the world, accounting, on average, for about 25% of world production and 50% of world exports. The value of Canadian dry pea exports peaked at \$492 million (M) in 2000-2001, but declined in the following two years due to reduced production caused by unfavourable weather. Exports started recovering in 2003-2004 and reached \$408 million in 2004-2005. Canadian seeded area for dry peas increased by 565% since 1991-1992. The expansion of dry pea production in western Canada has provided producers with an alternative cash crop to use in their rotations and livestock feeders with a new feed ingredient. In addition, the increased production has resulted in increased employment opportunities in western Canada through the expansion of handling, marketing and processing facilities. For 2006-2007, Canadian production is forecast to decrease slightly from 2005-2006 as higher seeded area is more than offset by lower trend yields. This issue of the *Bi weekly Bulletin* examines the situation and outlook for dry peas.

WORLD

Production

World dry pea production has been relatively stable during the past ten years, ranging from a low of 9.9 Mt in 2002-2003 to a high of 12.5 million tonnes (Mt) in 1998-1999. During this period, the concentration of production has shifted out of France into Canada and the United States (US).

Production in Canada increased as producers diversified out of traditional grains because of low returns. Production in the US increased as a result of incentives provided by government programs.

In 1996-1997, Canada accounted for only 11% of world dry pea production, but in 2004-2005 and 2005-2006 Canada's share peaked at 28%.

Trade

World trade in dry peas has been variable during the past ten years, ranging from a low of 2.2 Mt in calendar year 2003 to a high of 3.6 Mt in 1999. In 2004, the latest year for which trade data is available, 3.1 Mt of dry peas were

exported. Ten years ago, France and Canada were the largest exporters, each accounting for 29% of world exports. Other major exporters were Ukraine, Australia, Russia, Czech Republic and the US. During the decade, Canada's share grew until it became the largest

exporter in 1997. In 2001, Canada's share of exports peaked at 56%, but fell during the following two years because of low production, before recovering to 50% in 2004. In 2004, France accounted for 18% of world exports and the only other significant exporters were Australia, the US, Ukraine and Russia.

Ten years ago, the main importing countries were in western Europe; with the Netherlands being the largest, followed by Belgium, Germany, and Spain. The only large non-European importer was India. Since then, the largest growth in imports was by countries in Asia. In

WORLD: DRY PEA SUPPLY AND DISPOSITION

	2002 -2003	2003 -2004	2004 -2005	2005 -2006	2006 -2007f
Harvested Area (kha)	6,085	6,185	6,395	6,580	6,700
Average Yields (t/ha)	1.62	1.64	1.88	1.73	1.75
.....thousand tonnes.....					
Canada	1,365	2,124	3,338	3,100	3,040
France	1,715	1,670	1,675	1,355	1,550
China	1,500	1,400	1,160	1,200	1,200
Russia	1,268	1,052	1,243	1,290	1,200
United States	250	274	572	682	910
India	800	730	800	780	780
Ukraine	613	371	636	600	600
Germany	413	392	464	357	400
Australia	160	418	224	372	360
United Kingdom	292	273	217	191	210
Others	1,501	1,425	1,691	1,470	1,490
Total Production	9,877	10,129	12,020	11,397	11,740
Carry-in Stocks	500	700	600	1,100	800
Total Supply	10,377	10,829	12,620	12,497	12,540
Total Use	9,677	10,229	11,520	11,697	11,740
Carry-out Stocks	700	600	1,100	800	800
Stocks-to-use ratio	7%	6%	10%	7%	7%

f: forecast, Agriculture and Agri-Food Canada February 2006

Source: FAO, UNIP and Statistics Canada - February 2006

2004, India was the largest importer in Asia, followed by Bangladesh, China and Pakistan. Dry pea exports to Asia are nearly all for food. Spain became the largest importing country in Europe, followed by Belgium, Netherlands Italy and Germany. European imports were nearly all for livestock feed. Latin America is also a major importing region for dry peas, especially Cuba and Colombia. Smaller volumes of dry peas are imported by countries in Africa and the Middle East. Exports to Latin America, Africa and the Middle East are generally for food.

CANADA

Production

Dry peas are a cool season crop with a relatively shallow root system. They are, generally, as drought tolerant as cereal grains, but cannot tolerate heat stress during flowering. Dry peas take about 90-105 days to reach maturity, depending on the variety grown. The crop is best suited to the black soil zone, with well drained, clay loam soils being ideal for dry pea production. However, dry peas have performed well in all areas of the Prairies, especially in summers with cool and moist conditions. Poorly drained, cold soils can favour the development of seedling diseases and root rots. Dry peas should not be grown on saline soils and should not be grown on the same field more than once in every four years to avoid the rapid increase of soil-borne and foliar diseases.

Dry pea production provides an agronomically sound way of extending and improving crop rotations. They are capable of fixing part of their nitrogen requirements if properly inoculated with the pea strain of *Rhizobium*. Thus, acceptable yields can be produced in some years with little nitrogen fertilizer. However, a soil test should be used to determine required nutrients. The crop following dry peas in the rotation generally yields more than the same crop grown after cereals or oilseeds.

Canadian dry pea seeded area increased by 565%

since 1991-1992, with a record 1.39 million hectares seeded in 2004-2005. There has also been an upward trend in average yields, which helped to increase production by 725% to a record 3.3 million tonnes (Mt) in 2004-2005. Production decreased moderately in 2005-2006 due to lower seeded area and lower yields. The growth in dry pea production has been largely in Saskatchewan. In 2005-2006, Saskatchewan accounted for 78% of Canadian production, Alberta for 20%, and Manitoba for 2%. Small amounts of dry peas were also produced in British Columbia and in eastern Canada. Canada produces several types of peas, with the large and medium yellow types accounting for 68% of 2005-2006 production. Green peas accounted for 30% of the production and the remaining 2% consisted of maple, Austrian winter, green marrowfat and small yellow.

Marketing

Dry peas are sold on the open market to dealers located throughout the Prairie Provinces. Feed peas are sold mainly to large grain elevators, whereas food peas are sold mainly to specialized cleaning

and handling facilities. Dry peas are also sold directly to processing plants, feed mills and livestock producers.

Feed peas are generally shipped bulk by rail, from the elevators to ports and other markets. Food peas are also generally shipped by rail, either bulk, in bags or in containers.

Domestic Use

About 35% of the dry peas produced in Canada are consumed domestically, with the largest use being livestock feed, followed by seed and food. Most of the increase in domestic use is due to greater use for livestock feed in the Prairie provinces, especially for feeding hogs. Domestic use is forecast to increase in 2005-2006 because of higher supply and increased use for livestock feed.

Exports and Imports

On average, about 65% of Canadian dry peas are exported. In 2004-2005, 31% of the exports went into the feed market, mainly in Europe, and 69% into the food market mainly in Asia and Latin America. The feed market consumes both yellow and green types. Although both yellow and green peas are sold into the food markets all over the world, the main market for green peas is Latin America and for yellow peas, Asia. Spain accounts for most of Canadian dry pea exports to Europe, followed by Belgium. In Asia, the largest importer is India, followed by China, Bangladesh and Pakistan. In the western hemisphere, Cuba, Colombia, US, Venezuela and Peru are the largest importers. United Arab Emirates is the largest importer in the Middle East, with most of the imports re-exported to other countries in the region. Canadian exports are forecast to increase in 2005-2006 because of higher supply and strong demand in the feed markets in Europe and the food markets in Asia.

Canadian imports, nearly all from the US, have been growing as US production increases and many producers near the Canadian

WORLD: DRY PEA EXPORTS					
	2000	2001	2002	2003	2004
.....thousand tonnes.....					
Canada*	1,857	1,969	792	1,002	1,538
France	766	565	836	528	566
Australia	335	337	391	92	185
United States**	90	102	94	118	179
Ukraine	25	108	181	43	174
Russia	2	19	131	44	88
Other	354	409	440	363	341
Total	3,429	3,509	2,865	2,190	3,071
WORLD: DRY PEA IMPORTS					
	2000	2001	2002	2003	2004
.....thousand tonnes.....					
Spain	625	523	215	190	724
India	137	849	870	700	643
Belgium	544	415	215	249	361
Netherlands	271	165	114	268	210
Bangladesh	110	260	277	115	186
Italy	141	104	100	88	139
Cuba	49	85	43	53	110
Germany	79	57	38	37	91
China	114	178	133	77	90
Pakistan	85	110	91	64	41
Colombia	56	86	56	38	38
Other	603	637	559	622	641
Total	2,814	3,469	2,711	2,501	3,274
The difference between imports and exports is attributed to the timing of delivery.					
Source: FAO, except *Statistics Canada and **USDA-February 2006					

border deliver to Canadian dealers.

Prices

Since there is no futures market for dry peas, prices are negotiated directly between the dealers and customers, based on supply and demand factors for each type, for immediate delivery or for delivery at some future date. Some dry peas are grown under production contracts which guarantee a price for part of the production.

The price of feed peas is related to prices of alternate feed grain and protein meal ingredients. There are, however,

regional price differences within the Prairie Provinces based on local supply and demand factors. Food pea prices are normally at a premium to feed pea prices, however the quality standards are higher. The premiums for yellow food peas and green food peas are usually different, depending on the supply and demand factors for each type. Prices for maple, Austrian winter, green marrowfat and small yellow peas also vary depending on the supply and demand factors for each type.

Average prices are forecast to decrease in 2005-2006 due to higher Canadian

supply and lower prices for alternative feed ingredients.

OUTLOOK: 2006-2007

World

World dry pea production is forecast to increase by 3%, from 2005-2006, to 11.74 Mt, due mainly to higher expected production in the European Union (EU) and the US. Although EU seeded area is expected to decrease because of a shift to rapeseed planting, average yields are expected to recover from the drought reduced low levels in 2005-2006, resulting in higher production. In the US,

CANADA: DRY PEA SUPPLY AND DISPOSITION

<i>August-July crop year</i>	2002 -2003	2003 -2004	2004 -2005	2005 -2006	2006 -2007f
Seeded Area (kha)	1,297	1,303	1,388	1,366	1,450
Harvested Area (kha)	1,050	1,271	1,345	1,319	1,400
Yield (t/ha)	1.30	1.67	2.48	2.35	2.17
..... thousand tonnes					
Carry-in stocks	275	310	205	595	400
Production:					
Yellow	850	1,325	2,360	2,120	2,080
Green	485	705	885	920	900
Other ^{1/}	30	94	93	60	60
Total Production	1,365	2,124	3,338	3,100	3,040
Imports	41	24	56	90	100
Total Supply	1,681	2,458	3,599	3,785	3,540
Exports					
Asia	413	422	966	1,100	1,050
Europe	17	652	567	750	600
South America	68	66	110	120	120
Central America and Antilles	47	75	59	60	60
Africa	33	28	41	55	55
United States	26	36	39	40	40
Middle East	19	32	59	70	70
Oceania	5	5	4	5	5
Total Exports	628	1,316	1,845	2,200	2,000
Total Domestic Use ^{2/}	743	937	1,159	1,185	1,240
Total Use	1,371	2,253	3,004	3,385	3,240
Carry-out Stocks	310	205	595	400	300
Stocks-to-use ratio (%)	23%	9%	20%	12%	9%
Seeded Area (kac)	3,205	3,220	3,430	3,375	3,583
Harvested Area (kac)	2,595	3,141	3,323	3,259	3,459
Yield (bu/ac)	19	25	37	35	32
Average producer price (Western Canada)					
Food – Yellow ^{3/}	\$/t	202	184	143	132
	\$/bu	5.50	5.00	3.90	3.60
Food – Green ^{3/}	\$/t	266	213	171	138
	\$/bu	7.25	5.80	4.65	3.75
Feed	\$/t	165	160	114	108
	\$/bu	4.50	4.35	3.10	2.95

^{1/} Small yellow, maple, Austrian winter, green marrowfat

^{2/} Includes food, feed, seed, waste and dockage. Total domestic use is calculated residually.

^{3/} No. 1 Canada grade

f: forecast, Agriculture and Agri-Food Canada, February 2006

Source: Statistics Canada and AAFC

seeded area is forecast to increase by a third due to higher expected net returns than for many alternative crops, resulting mainly from the high loan deficiency payments or market loan gains received by dry pea producers. World supply is forecast to increase marginally to 12.54 Mt. Use is expected to increase slightly, while carry-out stocks remain stable.

Canada

Canadian production is forecast to decrease slightly to 3.04 Mt, as a 6% increase in seeded area is more than offset by lower trend yields. Soil moisture reserves are generally adequate and it is assumed that precipitation will be normal for the growing and harvest periods. Supply is expected to decrease by 6% to 3.54 Mt. Domestic use is forecast to increase by 5% to 1.24 Mt because of strong demand for livestock feed, but exports are expected to decrease by 9% to 2.0 Mt due to the lower supply and lower expected demand from Europe. Carry-out stocks are forecast to decrease, with a stocks-to-use ratio of 9%. Prices are forecast to increase slightly because of lower Canadian supply and stronger demand.

OUTLOOK: LONGER-TERM

Canada

Research is continuing to develop improved varieties to make Canada more competitive in world dry pea markets. Work is also continuing on market development to increase the demand for Canadian dry peas in domestic and export markets. In the feed market, programs are underway to develop markets for feed peas in several eastern Asian and Latin American countries, as well as to increase the use of dry peas for livestock feed in Canada. In the food market, programs are underway to promote pulses, including dry peas, in a healthy diet. These programs are expected to increase the demand for Canadian dry peas, increase their value and increase domestic processing.

One of the major challenges facing the Canadian dry pea industry is the maintenance of a level of production which is adequate to meet market needs. This is difficult to do because of the variable weather conditions from year to

year, especially for moisture, in the dry pea growing areas. Due to the variable weather conditions, average yields since 1991-1992 ranged from 1.3 tonnes per hectare (t/ha) to 2.7 t/ha and abandonment ranged from 1% to 19%. Although the seeded area increased sharply during the early and mid 1990s, the increase in seeded area has been much lower since 1998-1999. To encourage additional seeding, financial returns need to be as good as, or better than, for alternative crops.

The second challenge is competing with subsidized production from the US. The *US Farm Security and Rural Investment Act of 2002* (FSRIA) included dry peas under the loan program for the first time. High government support from loan deficiency payments (LDPs) or market loan gains (MLGs) resulted in sharply higher US dry pea production, with the US becoming a major competitor in world dry pea markets. An LDP is obtained by a producer when the price is below the loan rate and MLG occur when a producer chooses to take a loan and then repay it at a lower level when the price is below the loan rate. Changes made to the loan program for 2003-2004, resulted in higher payouts. In 2003-2004 the market price on which the LDP was based was lowered to feed from No. 1, while the loan rate remained unchanged. This made it easier to qualify for a LDP or MLG and increased the payout because prices of feed peas are lower than prices of No. 1 grade peas.

The FSRIA is scheduled to end with the 2007 crop. For later years, the area seeded will depend on the support programs available at that time, as well as on expected net returns for alternative crops. However, dry peas are becoming an established crop over a larger area than before 2002. Therefore, even if the seeded area should drop, it is expected to be significantly higher than it was prior to 2002.

Another factor to watch is dry pea production in the EU. Under the EU Common Agricultural Policy reforms, a single direct payment is replacing most payments currently offered. The payment will be independent of current

production levels or prices, although there will be a supplemental payment for protein crops, which includes dry peas. The decoupling of most payments is expected to result in some shift in production from dry peas into cereal grains and rapeseed because, in some areas, net returns for these crops are higher than for dry peas. The expected decrease in EU dry pea production will provide an opportunity for Canadian exporters to increase feed pea sales to the EU. However, there will be competition for the EU market from the US and possibly Ukraine, if Ukrainian production increases significantly.

For periodic updates on the situation and outlook for dry peas, visit the Market Analysis Division Website for "Canada: Pulse and Special Crops Outlook".

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USES OF DRY PEAS

There are two uses for dry peas, livestock feed and human food. Use for livestock feed is mainly in Europe and Canada, whereas use for food is mainly in Latin America and Asia.

FEED

The hog production industry is the most important user of feed peas, although poultry, cattle and other livestock also consume them.

Feeding Hogs

Dry peas are a good source of energy and protein for hogs. When protein quality and amino acids, such as lysine, are considered in diet formulation for hogs, peas are very price competitive. Moreover, dry peas do not have to be heat treated to deactivate anti-nutritional factors.

Usually dry peas displace soybean meal and high energy grains, such as wheat or corn, in a hog ration in a one-third to two-thirds ratio. Therefore, a formula of one-third soybean meal and two-thirds wheat or corn, whichever has the lower price, gives an approximation of the opportunity price of dry peas. Dry peas are a very economical feed ingredient and can substitute for imported corn and soybean meal in western Canada.

Nutrition

Dry peas have high energy content. North American hog rations are normally formulated on the basis of digestible or metabolizable energy. However, in Europe, hog rations are normally formulated on the basis of net energy. Using net energy for feed formulation increases the value of dry peas in hog rations by about 10% because the net energy content of dry peas is about 37% higher than for soybean meal.

Dry peas are known for having high quality protein, with a protein content of about 22%. The digestibility of protein from dry peas is good, with digestibility values of 83-86% for hogs and 84-88% for poultry. Dry pea protein fed to cattle is readily digested. Dry pea protein, protein from cereals, and canola meal are nutritionally complementary, enhancing each one's value when used in rations.

Feed Products

A common feed product is a mixture of two-thirds ground peas and one-third canola meal. In this mixture, dry peas complement canola meal. Although canola meal is an excellent source of protein, it is low in digestible energy. Dry peas have high energy digestibility, and their amino acid profile, which is high in lysine, complements the amino acid profile of canola meal, which is high in methionine and cystine. Another feed product is an extruded blend of ground dry peas and canola seed. In addition to the two ingredients complementing each other, the high oil content is a readily available source of energy and can be used as a replacement for such products as corn oil or rendered fat. A more recent development is an extruded blend of ground dry peas and flaxseed which contains essential omega-3 fatty acid obtained from the flaxseed oil.

Feeding Other Livestock, Fish and Pets

Although dry peas are most widely used in feeding hogs, they are also used for feeding all classes of poultry. In feeding poultry, they are a good source of protein and a moderate source of energy. The nutrient profile makes dry peas a very economical ingredient for layers, but they can also be used for broilers. Dry peas are also a good source of supplementary protein for cattle, as well as a good source of energy. The relatively slow degradation rate of starch in peas may be beneficial in animals fed diets containing a high concentration of grain. An emerging use of dry peas is to manufacture protein concentrate for feeding to farmed fish. It can be combined with flaxseed oil to replace fish meal and fish oil. A small, but important user, is the bird seed industry, for which some specialty peas, such as the maple and Austrian winter types, are used. Dry peas are also used as an ingredient in the manufacture of pet food. Some small yellow seed is sold for seeding in silage mixtures.

CANADA: COST SAVINGS OF USING DRY PEAS IN A HOG RATION ^{1/}

	Opportunity Price of Dry Peas ^{2/}	Actual Price of Dry Peas	Feed Cost Saving ^{3/}
	\$/t.		
Winnipeg	178	108	17
Saskatoon	194	99	24
Calgary	203	120	21

^{1/} February 2006

^{2/} Based on one-third soybean meal and two-thirds corn

^{3/} Based on 25% inclusion rate

Source: AAFC

ENERGY VALUES IN DIGESTIBLE ENERGY (DE), METABOLIZABLE ENERGY (ME) AND NET ENERGY (NE) SYSTEMS

Ingredient	DE	ME	NE
	KCAL/KG		
Corn	3,780	3,650	2,970
Wheat	3,870	3,780	2,900
Dry Peas	3,880	3,750	2,640
Soybean Meal	3,910	3,650	1,930

Source: Noblet et al. 1994

FOOD

Food use of dry peas includes canning, split and whole dry markets, as well as constituent products such as protein, flour, starch, and fibre. These products are then used in baked goods, baking mixes, soup mixes, breakfast cereals, processed meats, health foods, pastas and purees. Dry peas can also be cooked and eaten as a vegetable.

Domestic Use

The domestic food market is much smaller than the feed market, but is important for producers and dealers. The domestic processing industry includes splitting, canning, packaging of whole or split seed, the production of dry soup mixes, milling for flour, or fractionating into fibre, protein concentrate and starch. The marrowfat type, as well as some others, are used in the confectionery markets and to make a spread called pea butter.

Healthy Diet

Pulses, including dry peas are increasingly being used in health-conscious diets to promote general well-being and reduce the risk of illness. They are low in fat, low in sodium, cholesterol free, high in protein, and are an excellent source of both soluble and insoluble fibre, complex carbohydrates, and vitamins and minerals, especially B vitamins, potassium and phosphorus.

Since dry peas are low in fat, low in sodium and are cholesterol free, they are an excellent heart healthy food that may be beneficial to the prevention of cardiovascular disease. Dry peas are an inexpensive, high quality source of protein. Studies have shown that whole pulses (including dry peas) have demonstrated cholesterol and lipid lowering effects in humans.

Studies have reported the beneficial effects of soluble dietary fibre on cardiovascular disease in humans, especially in lowering both total serum and LDL-cholesterol levels. In addition, clinical research has shown soluble fibre to be beneficial in the management of type-2 diabetes. Insoluble dietary fibre consumption can be beneficial to a healthy colon and has been associated with reducing the risk of colon cancer. Diets high in fibre have demonstrated beneficial effects on weight loss because they deliver more bulk and less energy.

Dry peas are an excellent source of the B vitamin folate which is an essential nutrient. In addition, folate consumption during pregnancy has been shown to reduce the risk of neural tube defects.

Flour made from dry peas is gluten free and is a very nutritious option for people with celiac disease.

Potential Use

In addition to current uses, research is ongoing to develop edible food coatings from dry peas. These would be used to extend the shelf life of perishable food. Starch from dry peas can be used in bio-industrial products, such as ethanol and paper production and new applications are being investigated, such as using starch to make biodegradable plastics.

ORGANISATIONS

The **Canadian Grain Commission** administers quality control standards for dry peas. There are three grades for green peas and four grades for peas other than green. However, normally 1 and 2 Canada grade peas are used for the food market. For the feed market, there is a Canada Feed Peas grade. In addition, dry peas can be graded "Sample" if they do not meet the specifications under the grades. For further information, or to access the *Official Grain Grading Guide*, please visit the CGC website: www.grainscanada.gc.ca

The **Canadian Special Crops Association** (CSCA - www.specialcrops.mb.ca) establishes trade rules and serves as a forum for exporters, dealers and brokers involved in the industry of trading Canada's pulse and special crops, including dry peas. The website includes a section where buyers can submit a request for prices.

Pulse Canada (www.pulsecanada.com) is an industry organization, with the CSCA and provincial pulse growers' organizations as members. It is involved in policy issues, coordinating research efforts and market development. The website contains information on pulse crops, markets, and health and nutrition.

PULSE INNOVATION PROJECT

The Pulse Innovation Project is managed by Pulse Canada and funded mainly by a \$3.2 million, over three years starting in 2005, contribution from Agriculture and Agri-Food Canada under the Science and Innovation pillar of the Agricultural Policy Framework. The goal of the Pulse Innovation Project is to stimulate innovation in product development by understanding industry needs and targeting research that will boost the incorporation of pulses, including dry peas, into food and industrial products. It will support the development and commercialization of products by working with food processors and ingredient manufacturers to ensure that the end results are foods that will be found on grocery store shelves, targeting products that are economic, convenient and enhance nutrition and health. In addition, the project will explore and support industrial avenues for pulses to ensure the maximum value added opportunities for producers.

A. SELLING PRICE OF BULK FEED INGREDIENTS AT SELECTED POINTS

A. SELLING PRICE OF BULK FEED INGREDIENTS AT SELECTED POINTS																	January 09, 2006				
SELECTED POINT	REFERENCE PERIOD	PRICE BASIS	(1)	WHEAT	OATS	BARLEY	CORN	PRICE BASIS	SOYBEAN MEAL	CANOLA MEAL	MILL- FEEDS	MEAT MEAL	FISH MEAL	ANIMAL FAT	GLUTEN MEAL	GLUTEN FEED	FEED PEAS	DEHY ALFALFA	FEATHER MEAL		
Vancouver	January 09, 2006	FOB		137.00	N/A	139.00	140.50		290.50	184.00	120.00		900.00	460.00					405.00		
BC (4) (7)	January 03, 2006			137.00	N/A	139.00	140.50		297.00	184.00	120.00		900.00	460.00					405.00		
Calgary	January 09, 2006	FOB		137.00	N/A	139.00	140.50		297.00			N/A	900.00	460.00					405.00		
AB (4)	January 03, 2006			137.00	N/A	139.00	140.50		297.00			N/A	900.00	460.00					405.00		
Saskatoon	January 09, 2006	FOB		106.00	137.50	94.50	158.00		282.00	N/A		140.00	N/A	470.00		115.33			440.00		
SK (4)	January 03, 2006			106.00	137.50	94.50	158.00		295.50	N/A		150.00	N/A	495.00		115.33			440.00		
Winnipeg	January 09, 2006	FOB		142.00	140.00	117.00	155.00		261.67	N/A		290.00	1012.50	525.00					365.00		
MB (4) (9)	January 03, 2006			142.50	140.00	118.50	155.00		271.00	N/A		290.00	1012.50	525.00					365.00		
Thunder Bay	January 09, 2006	In-Store		131.50	N/A	116.50															
ON (8)	January 03, 2006			132.70	N/A	117.55															
Lake Ports	January 09, 2006	On Board					100.08														
USA (3)	January 03, 2006	Vessel					87.05														
Bay Ports	January 09, 2006	In-Store		160.00	195.00	137.00															
ON	January 03, 2006			160.00	195.00	137.00															
Chatham	January 09, 2006	Track					117.11														
ON	January 03, 2006						109.97														
Toronto	January 09, 2006	N/A						FOB				182.00	N/A	450.00	425.00	114.00		285.00	300.00		
ON (5)	January 03, 2006								296.41	N/A		182.00	N/A	450.00	425.00	114.00		285.00	300.00		
Hamilton	January 09, 2006	N/A							307.87	N/A											
ON	January 03, 2006						114.00														
Eastern	January 09, 2006	FOB					115.50														
ON	January 03, 2006																				
London	January 09, 2006	FOB																			
ON	January 03, 2006																				
Port Colborne	January 09, 2006	FOB																			
ON	January 03, 2006																				
Cardinal	January 09, 2006	FOB																			
ON	January 03, 2006																				
Montreal	January 09, 2006			170.00	155.00	160.00	150.00		293.50	212.00	90.00	180.00	850.00	469.50	425.00	114.00		270.00	320.00		
QC (5)	January 03, 2006			170.00	150.00	160.00	150.00	FOB	304.17	224.00	93.33	180.00	850.00	469.50	425.00	114.00		270.00	320.00		
Trois-Rivières	January 09, 2006	In-Store		163.00		151.00	127.65														
QC	January 03, 2006			164.00		153.20	128.24														
St. Jean QC (2)	January 09, 2006	FOB		151.00	144.50	139.00	144.50		N/A												
QC	January 03, 2006			151.00	142.00	139.00	143.50		279.28												
St. Hyacinthe QC	January 09, 2006	In-Store		166.33	N/A	174.44	142.77		286.92	234.48											
Quebec	January 03, 2006			164.00	N/A	175.26	144.64		296.36	220.85											
QC	January 09, 2006	Track		189.78	N/A	167.20	174.37		348.92	258.86		241.10		N/A					320.00		
Truro	January 03, 2006			192.50		167.20	178.29	FOB	347.30	258.86		241.10		N/A					320.00		
NS	January 09, 2006	Water		N/A	N/A	N/A	N/A														
Truro	January 03, 2006	& Truck		N/A	N/A	N/A	N/A		N/A												
NS	January 09, 2006	In-Store		N/A	N/A	N/A	N/A		N/A												
Halifax	January 03, 2006			N/A	N/A	N/A	N/A		N/A												
NS (6)	January 09, 2006			N/A	N/A	N/A	N/A		N/A												

Closing date
Jan. 06/2006

US\$1.00 = CANS 1.1648

market close

Source: Market Analysis Division, Agriculture and Agri-Food Canada; Thunder Bay prices are based on the Winnipeg Commodity Exchange (WCE) market close

Contact: André Dombé, Statistical Clerk Telephone: (204) 983-4581 Fax: (204) 983-5524 Email: dombea@agr.gc.ca

N/A = not available

Footnotes: All prices in Canadian dollars per metric tonne based on survey respondents.

Grain grades (unless otherwise specified) are: Western or Eastern Feed Wheat. Feed Oats. No.1 Canada Western or Eastern Barley. No.2 Canada Yellow Corn. No.3 US Yellow Corn. Soybean Meal 48 % Protein. Canola Meal based on minimum standard of 35% Protein. Fish Meal: white fish and/or herring meal. Gluten Meal 60% Protein. Gluten Feed 21% Protein.

(1) Wheat 3CWRS (2) Canadian Corn #3 or #2 (3) US Corn (4) Fish Meal from West Coast 65% Protein (5) Fish Meal 60% Protein (6) Herring Fish Meal (7) Fraser Valley (8) Wheat & Barley (Basis - Cash Price WCE) (9) Oats 3CW

B. CASH PRICES AND REPLACEMENT VALUES

January 09, 2006

PRAIRIE GRAINS

Selected Points	Price Basis		This week 9-Jan-06	Last week 28-Dec-05	Month ago 12-Dec-05	Year Ago 10-Jan-05
From: Thunder Bay(WCE) (2)	In-Store	Wheat	128.00	130.00	125.00	103.00
(CBOT)		Oat	191.25	193.75	210.00	159.40
(Lethbridge)		Barley	113.00	117.00	112.00	113.00
To: Bayport, ON (1)	In-store	Wheat	151.61	153.61	148.61	126.61
		Oat	N/A	N/A	N/A	N/A
		Barley	140.39	144.39	139.39	140.39
Montreal, QC (1)	In-store	Wheat	156.03	158.03	153.03	131.03
		Oat	N/A	N/A	N/A	N/A
		Barley	145.31	149.31	144.31	145.31
Moncton, NB	Truck via Halifax	Wheat	178.25	180.25	175.25	153.25
		Oat	N/A	N/A	N/A	N/A
		Barley	169.50	173.50	168.50	169.50
Truro, NS	Truck via Halifax	Wheat	172.22	174.22	169.22	147.22
		Oat	N/A	N/A	N/A	N/A
		Barley	167.00	171.00	166.00	167.00
Halifax, NS (1)	In-store	Wheat	163.28	165.28	160.28	138.28
		Oat	N/A	N/A	N/A	N/A
		Barley	153.30	157.30	152.30	153.30
Stephenville, NL	Track / Truck via Sydney	Wheat	226.63	228.63	223.63	201.63
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A
Melfort, SK		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Bayport, ON		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Montreal, QC		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Moncton, NB		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Truro, NS		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track / Truck via Sydney	Barley	N/A	N/A	N/A	N/A
Stephenville, NL		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A

Selected Points	Price Basis		This week 9-Jan-06	Last week 28-Dec-05	Month Ago 12-Dec-05	Year Ago 10-Jan-05
Corn						
From: US Lake Port	On Board Vessel		100.08	100.66	91.06	98.99
To: Montreal, QC (1)	In-store		119.12	119.70	110.10	118.03
From: Chicago (IL)	Track		98.25	97.91	86.50	104.82
To: Montreal, QC	Track		127.11	126.77	115.36	133.68
From: Chatham, ON	Track		117.11	120.65	110.36	105.49
To: Montreal, QC	Track		140.98	144.52	134.23	129.36

Soymeal 48% Protein						
From: Hamilton, ON			296.41	304.01	261.91	251.10
To: Montreal, QC	Track		320.74	328.34	286.24	275.43
Moncton, NB	Track		339.49	347.09	304.99	294.18
Truro, NS	Track		342.71	350.31	308.21	297.40
Stephenville, NL	Track / Truck via Sydney		391.34	398.94	356.84	346.03

1. Prices include ONE month of storage and interest charges n/a = not available
 2. Thunder Bay prices are based on the Winnipeg Commodities Exchange market close (Cash price)

Source: Market Analysis Division, Agriculture and Agri-Food Canada

Contact: André Doumbé: Statistical Clerk (204) 983-0581 Fax: (204) 983-5524 e-mail: doumba@agr.gc.ca

Footnotes: All prices quoted in Canadian dollars per metric tonne.

Grain grades (unless otherwise specified) are: Canada Western Feed Wheat, Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn.

Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec.

Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable

A SELLING PRICE OF BULK FEED INGREDIENTS AT SELECTED POINTS

A: SELECTED LINE OF BUSINESS	SELECTED POINT	REFERENCE PERIOD	PRICE BASIS	(1)	WHEAT	OATS	BARLEY	CORN	PRICE BASIS	SOYBEAN MEAL	CANOLA MEAL	MILL-FEEDS	MEAT MEAL	FISH MEAL	ANIMAL FAT	GLUTEN MEAL	GLUTEN FEED	FEED PEAS	DEHY ALFALFA	FEATHER MEAL
Vancouver	BC (4) (7)	January 23, 2006	FOB	135.00	N/A	135.00	218.50	273.50	164.00	113.00				912.50	460.00					395.00
		January 16, 2006		135.00	N/A	135.00	218.50	275.50	164.00	113.00					912.50	460.00				405.00
Calgary	AB (4)	January 23, 2006	FOB	105.00	#N/A	109.00	170.00	270.50					140.00	1000.00	470.00					390.00
		January 16, 2006		105.00	#N/A	109.00	171.00	272.50					140.00	1000.00	470.00					390.00
Saskatoon	SK (4)	January 23, 2006	FOB	106.00	137.50	94.50	153.00	275.50	N/A				140.00	N/A	470.00		116.67			420.00
		January 16, 2006		106.00	137.50	94.50	153.00	275.50	N/A				140.00	N/A	470.00		115.33			420.00
Winnipeg	MB (4) (9)	January 23, 2006	FOB	142.50	140.00	114.00	139.00	257.33	N/A				290.00	1062.50	525.00					370.00
		January 16, 2006		142.00	140.00	117.00	141.00	258.67	N/A				290.00	1062.50	525.00					370.00
Thunder Bay		January 23, 2006	In-Store	127.00	N/A	113.50														
ON		January 16, 2006		130.50	N/A	115.00														
Lake Ports		January 23, 2006	On Board				94.90													
USA	(3)	January 16, 2006	Vessel				87.05													
Bay Ports		January 23, 2006	In-Store	160.00	195.00	140.00														
ON		January 16, 2006		160.00	195.00	140.00														
Chatham		January 23, 2006	Track				112.39													
ON		January 16, 2006					109.97													
Toronto	(5)	January 23, 2006	N/A						FOB				182.00	N/A	450.00		114.00		285.00	305.00
ON		January 16, 2006											182.00	N/A	450.00		114.00		285.00	305.00
Hamilton		January 23, 2006	N/A					284.94												
ON		January 16, 2006						281.64	N/A											
Eastern		January 23, 2006	FOB				114.50													
ON		January 16, 2006					111.28													
London		January 23, 2006	FOB																	
ON		January 16, 2006																		
Port Colborne		January 23, 2006	FOB									88.00								
ON		January 16, 2006										89.00								
Cardinal		January 23, 2006	FOB																	
ON		January 16, 2006																		
Montreal	(5)	January 23, 2006		170.00	175.00	160.00	150.00	267.61	207.50			96.67	180.00	850.00	469.50		114.00		270.00	320.00
ON		January 16, 2006		170.00	160.00	155.00	155.00	273.03	209.75			90.00	180.00	850.00	469.50		114.00		270.00	320.00
Trois-Rivières		January 23, 2006	In-Store	164.00	160.00	152.00	0.00													
QC		January 16, 2006		165.90		152.00	0.00													
St. Jean QC (2)		January 23, 2006	FOB	152.50	157.00	140.00	139.00	252.93												
St. Hyacinthe QC		January 16, 2006		157.00	147.50	141.00	146.50	257.50												
Quebec		January 23, 2006	In-Store	163.67	N/A	172.19	141.56	272.01	217.52											
QC		January 16, 2006		165.97	N/A	174.07	144.74	283.24	216.70											
Truro		January 23, 2006	Track	189.63	167.20	172.53	167.20	316.63	258.86				241.10		N/A					320.00
NS		January 16, 2006		190.90	167.20	177.39	177.39	343.14	258.86				241.10		N/A					320.00
Truro		January 23, 2006	Water	N/A	N/A	N/A	N/A	N/A												
NS		January 16, 2006	& Truck	N/A	N/A	N/A	N/A	N/A												
Halifax		January 23, 2006	In-Store	N/A	N/A	N/A	N/A	N/A		N/A		297.50		1 050.00	N/A					
NS	(6)	January 16, 2006		N/A	N/A	N/A	N/A	N/A		N/A		297.50		1 050.00	N/A					

Closing date
Jan. 20/2006

US\$1.00 = CAN\$ 1.1534

t close

Source: Market Analysis Division, Agriculture and Agri-Food Canada; Thunder Bay prices are based on the Winnipeg Commodity Exchange

Contact: André Doumbé Statistical Clerk Telephone: (204) 983-5581 Fax: (204) 983-5524 Email: doumbea@agr.gc.ca

Footnotes: All prices in Canadian dollars per metric tonne based on survey respondents.

Grain grades (unless otherwise specified) are: Western or Eastern Feed Wheat, Feed Oats, No. 1 Canada Western or Eastern Barley, No. 2 Canada Yellow Corn, No. 3 US Yellow Corn. All prices in Canadian dollars per metric tonne based on survey respondents.

(1) Wheat 3CWRS (2) Canadian Corn #3 or #2 (3) US Corn (4) Fish Meal from West Coast 63% Protein (5) Fish Meal 60% Protein (6) Herring Fish Meal (7) Fraser Valley (8) Wheat & Barley (Basis - Cash Price WCE) (9) Oats 3CW

B. CASH PRICES AND REPLACEMENT VALUES

January 23, 2006

PRAIRIE GRAINS

Selected Points	Price Basis		This week 23-Jan-06	Last week 9-Jan-06	Month ago 28-Dec-05	Year Ago 24-Jan-05
From: Thunder Bay(WCE) (2)	In-Store	Wheat	126.00	128.00	130.00	103.00
(CBOT)		Oat	190.75	191.25	193.75	170.00
(Lethbridge)		Barley	109.00	113.00	117.00	112.00
To: Bayport, ON (1)	In-store	Wheat	149.61	151.61	153.61	126.61
		Oat	N/A	N/A	N/A	N/A
		Barley	136.39	140.39	144.39	139.39
Montreal, QC (1)	In-store	Wheat	154.03	156.03	158.03	131.03
		Oat	N/A	N/A	N/A	N/A
		Barley	141.31	145.31	149.31	144.31
Moncton, NB	Truck via Halifax	Wheat	176.25	178.25	180.25	153.25
		Oat	N/A	N/A	N/A	N/A
		Barley	165.50	169.50	173.50	168.50
Truro, NS	Truck via Halifax	Wheat	170.22	172.22	174.22	147.22
		Oat	N/A	N/A	N/A	N/A
		Barley	163.00	167.00	171.00	166.00
Halifax, NS (1)	In-store	Wheat	161.28	163.28	165.28	138.28
		Oat	N/A	N/A	N/A	N/A
		Barley	149.30	153.30	157.30	152.30
Stephenville, NL	Track / Truck via Sydney	Wheat	224.63	226.63	228.63	201.63
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A
Melfort, SK		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Bayport, ON		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Montreal, QC		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Moncton, NB		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Truro, NS		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track / Truck via Sydney	Barley	N/A	N/A	N/A	N/A
Stephenville, NL		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A

Selected Points	Price Basis		This week 23-Jan-06	Last week 9-Jan-06	Month Ago 28-Dec-05	Year Ago 24-Jan-05
Corn						
From: US Lake Port	On Board Vessel		94.90	99.44	100.66	94.23
To: Montreal, QC (1)	In-store		113.94	118.48	119.70	113.27
From: Chicago (IL)	Track		212.13	212.84	97.91	99.04
To: Montreal, QC	Track		240.99	241.70	126.77	127.90
From: Chatham, ON	Track		112.39	115.90	120.65	102.25
To: Montreal, QC	Track		136.26	139.77	144.52	126.12

Soymeal 48% Protein

From: Hamilton, ON		284.94	281.64	304.01	243.39
To: Montreal, QC	Track	309.27	305.97	328.34	267.72
Moncton, NB	Track	328.02	324.72	347.09	286.47
Truro, NS	Track	331.24	327.94	350.31	289.69
Stephenville, NL	Track / Truck via Sydney	379.87	376.57	398.94	338.32

- Prices include ONE month of storage and interest charges n/a = not available
- Thunder Bay prices are based on the Winnipeg Commodities Exchange market close (Cash price)

Source: Market Analysis Division, Agriculture and Agri-Food Canada

Contact: André Doumbé: Statistical Clerk (204) 983-0581 Fax: (204) 983-5524 e-mail: doumba@agr.gc.ca

Footnotes: All prices quoted in Canadian dollars per metric tonne.

Grain grades (unless otherwise specified) are: Canada Western Feed Wheat, Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn.

Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec.

Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable



Bi-weekly Bulletin

February 17, 2006 Volume 19 Number 3

PROTEIN MEAL: SITUATION AND OUTLOOK

The world market for protein meal continues to grow steadily as demand, stimulated by higher meat and vegetable oil (vegoil) consumption, supports the expansion in output. Geographically, the demand for protein meal has increased most in Asia, particularly China, while the growth in production is occurring in South America and Asia. Trade in protein meal has increased at a slower pace with Argentina remaining the world's largest exporter and the European Union (EU-25) the world's largest importer. The Canadian protein meal market has expanded significantly since 2000 due to increased domestic livestock production and oilseed processing. In 2004-2005, Canada exported 1.3 million tonnes (Mt) of canola meal, valued at CANS249 million and imported 1.1 Mt of soymeal valued at CANS292 million. Over the medium-term, prices of protein meal are expected to be pressured because of the rising output of high protein by-products created by the expansion of ethanol and biodiesel production in North America.

This issue of the *Bi-weekly Bulletin* examines the situation and outlook for plant based protein meal, which is affected by conditions in the vegoil and oilseed markets. For a full discussion on vegoil, refer to *Bi-weekly Bulletin Volume 18, Number 11* entitled, "*Vegetable Oils: Competition In A Changing Market*".

SITUATION 2005-2006

Protein meal can be defined as either a co-product derived from the crushing of oilseeds or as a by-product from the processing of livestock. Dried distillers grains (DDG) are high in protein and are substitutable for soymeal and canola meal in livestock rations.

World production and consumption continues to expand

Since 2000-2001, world production of protein meal has increased at a steady pace, largely due to expansion in soybean crushing capacity in South America and China. For 2005-2006, world protein meal production is forecast to rise by about 4%, primarily because of an expected increase in oilseed processing in China, Brazil, Argentina and the US. By type, the projected percentage distribution of protein meal production is: soymeal (68%), canola/rape meal (12%), cottonseed (6%), sunmeal (5%), fishmeal (3%), peanut meal (3%), palm kernel meal (2%) and copra meal (1%).

For 2005-2006, the production of soymeal is expected to increase by 6 Mt while the output of sunflower seed meal rises by 1 Mt. The output of copra meal, cottonseed meal, fishmeal, palm kernel meal, peanut meal and canola/rape meal is forecast to be largely unchanged.

Similarly, world consumption of soymeal is forecast to increase by slightly over 6 Mt, while the usage of sunflower seed meal

increases by slightly less than 1 Mt. Consumption of the remaining protein meal types is forecast to remain stable.

Major Exporting Countries

The US is forecast to remain the world's largest producer of protein meal, accounting for about 16% of the total world production for 2005-2006. The US is the world's largest producer of soymeal, with production forecast at about 37.0 Mt for 2005-2006. Canola/rape meal production is estimated at 0.7 Mt, assuming a crush of 1.1 Mt.

Domestic consumption of protein meal in the US is forecast to rise by about 1 Mt, to around 35 Mt, with soymeal usage estimated at 31 Mt. The increase is supported by a projected expansion of the US livestock herd. The United States Department of Agriculture's (USDA) projected index of grain consuming animal units (GCAU) is 92 million, up from 90 million in 2004-2005. For 2005-2006, the national pig crop is expected to be up by 1% as an increase in litter size more than offsets a reduction in the number of sows farrowing. For the first half of 2006, US producers report that they intend to increase farrowings from the previous year. As a result, pork production is expected to increase by 2.5% for the 2006 calendar year. Similarly, the feed needs for beef may strengthen for 2006 because of feedlot placements

due to drought in the winter grazing areas. Beef production is forecast to increase by nearly 5% in 2006. Poultry production is forecast by the USDA to rise by 3% for 2006 while egg production rises by 2%. In addition, national milk production is projected to rise by 4.7 billion pounds (Glb), to 176.6 Glb.

CANADA: PROTEIN MEAL SUPPLY AND DISPOSITION

	2004 -2005	2005 -2006e	2006 -2007f
.....thousand tonnes.....			
CANOLA MEAL			
Carry-In Stocks	30.0	35.0	35.0
Production	1,903.8	2,050.0	2,050.0
Imports	1.8	5.0	5.0
Total Supply	1,935.6	2,090.0	2,090.0
Exports	1,343.4	1,480.0	1,500.0
Domestic Use	557.2	575.0	555.0
Total Use	1,900.6	2,055.0	2,055.0
Carry-Out Stocks	35.0	35.0	35.0
SOYMEAL			
Carry-In Stocks	18.0	30.0	30.0
Production	1,230.0	1,450.0	1,450.0
Imports	1,115.0	1,150.0	1,150.0
Total Supply	2,363.0	2,630.0	2,630.0
Exports	87.4	125.0	100.0
Domestic Use	2,245.6	2,475.0	2,500.0
Total Use	2,333.0	2,600.0	2,600.0
Carry-Out Stocks	30.0	30.0	30.0
Note: Flaxseed meal not included due to confidentiality of data.			
e: estimate; f: forecast, AAFC, February 2006			
Source: Statistics Canada			

US exports of protein meal, however are forecast to decrease slightly, to about 6.3 Mt, due to burdensome South American supplies and slowdowns resulting from ongoing repairs to the Mississippi, adjacent levees and terminal elevators following hurricane Katrina. Exports of soymeal are projected to fall to slightly under 6.0 Mt, versus the 6.7 Mt exported in 2004-2005, with most of the shipments directed to China and the EU-25.

In **Brazil**, the production of soymeal has increased by about 33% since 2000-2001. The growth in production of soymeal is due to an increase in supplies of raw soybeans and an expansion of crushing capacity. According to USDA, the 240,000 soybean producers in Brazil are widely dispersed throughout 17 states. Twenty percent of the country's total agricultural income is derived from soybeans. For 2004-2005, soybeans made up 12% of Brazil's US\$10 billion in total exports, and accounted for one-quarter of Brazil's agricultural exports. The evolution of soybean production in Brazil has improved the standard of living and has aided the development of transport infrastructure. Since 2000, about 13 soybean crushing

plants have been built or expanded with investment provided by Bunge, ADM, Louis Dreyfus and by various local companies.

For 2005-2006, local marketing year, the production of soybeans is forecast by USDA at a record 58.5 Mt, as an expected return to normal yields offsets the first decline in seeded area since 1998-1999. The production of soymeal is also projected to rise to a record 23.4 Mt, of which slightly over 60% is expected to be exported with the EU-25 being the major customer. The domestic consumption of soymeal continues to grow at a steady pace, increasing by 29% since 2000-2001, as Brazil continues to develop its livestock industry. For 2005-2006, domestic consumption is forecast at 9.3 Mt.

Argentina continues to be the world's largest exporter of soymeal, as higher export tariffs for soybeans than for protein meal or vegoil support the processing of soybeans and export of oil and meal. Since 2000-2001, the production of soymeal has increased by almost 50% and for 2005-2006 is forecast to reach a record 22.9 Mt, most of

which is exported, while less than 1.0 Mt is consumed domestically. Argentina also exports a small but steady volume of sunflower seed meal with shipments forecast to increase marginally to 1.2 Mt for 2005-2006.

Major Importing Countries

China is the world's largest consumer and second largest producer of protein meal. For 2005-2006, the total domestic consumption of protein meal is estimated at about 37 Mt, most of which will be consumed as feed. Total production of protein meal has expanded steadily, rising from about 33 Mt in 2003, to an expected 40 Mt for 2005-2006. By comparison, US production is 40 Mt. Total Chinese crush capacity is estimated at 70 Mt per year with 169 crushers capable of crushing more than 200 tonnes per day (t/day). Of the 169 crushers, at least 90 crush at least 1,000 t/day.

By type, soymeal makes up 58% of the protein meal production, followed by canola/rape meal at 19%, cottonseed meal 9.5%, peanut meal 8% with fishmeal and sunflower seed meal accounting for the remaining 5.5%. The trade in protein meal is minor with small quantities of protein meal being imported while exports in 2005-2006 are estimated at less than

1.0 Mt. In 2005-2006, China produced 17 Mt of soybeans domestically and imported 27 Mt of soybeans to crush.

For 2005-2006, the production of soymeal is forecast to rise to 23 Mt, with most of the rise in output consumed by the dairy and aquaculture sectors, with soymeal replacing fishmeal to some degree in the swine sector.

For 2005-2006, broiler production is expected to remain stable, despite an announced 20 million bird cull by Chinese authorities in response to outbreaks of the Asian Bird Flu H5N1. Favorable policies supporting poultry production allowed China's broiler production to recover quickly from the cull during the first half of 2004. The recovery of production was aided by stable consumer demand and China's success in re-opening cooked poultry exports to some countries. In addition, China's poultry egg production is forecast by the US Agriculture Attaché to rise by 5% to over 28 Mt for 2005.

For 2006, pork production is forecast to rise from the expected 49.6 Mt for 2005. One side effect from the exodus of rural residents to urban centers is the expansion of commercial swine operations, away from backyard pens, resulting in increased demand for soybean meal.

Aquaculture requires approximately 5 Mt of soymeal per year in China, with the raising of fresh water fish being the most important consumer of soymeal. Although current production of cage-raised marine species is small relative to pond-raised fresh water species, production is expanding rapidly and the long-term growth potential for soymeal is significant. Soymeal's inclusion rate in aqua feed varies from 20% to 50%, allowing considerable room for substitution for other protein meal such as canola meal.

The **EU-25** is the world's largest importer of soymeal, accounting for almost one-half of all the soymeal imported for 2005-2006. Soymeal imports are projected at 22.8 Mt for 2005-2006, up slightly from 2004-2005 and 30% higher than the 17.5 Mt imported in 2000-2001. By comparison slightly less than 15.0 Mt of soybeans are expected to be crushed for 2005-2006, producing 11 Mt of soymeal. Total soymeal feed and waste use is projected at 33.7 Mt for 2005-2006.

The EU-25 has a preference for importing soymeal rather than soybeans because of the low crush margins of EU crushing plants compared to plants in South America. The low crush margins are due to compulsory traceability and labelling set by EU regulations. It is expected that in North West Europe, soybean crushing capacity will be reduced by 3 Mt through plant closures and/or through plant conversions to rapeseed crushing.

WORLD: PROTEIN MEAL SUPPLY AND DISPOSITION

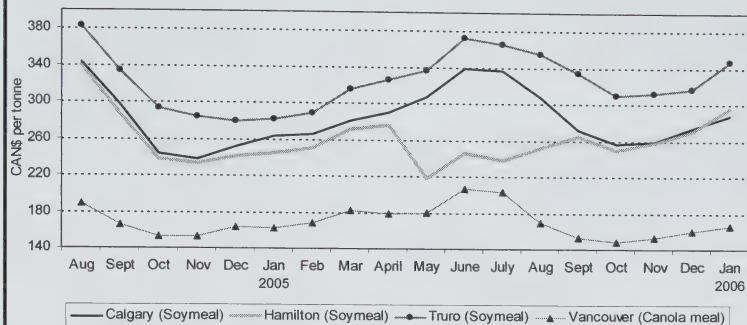
	2004 -2005	2005 -2006e	2006 -2007f
	.....million tonnes.....		
PRODUCTION			
Soymeal	138.3	144.5	145.0
Canola/Rape meal	24.1	24.7	25.0
Other	42.7	43.1	43.0
Total	205.1	212.3	213.0
TRADE			
Soymeal	46.2	49.9	48.8
Canola/Rape meal	2.2	2.3	2.2
Other	11.4	12.1	12.0
Total	59.8	62.3	63.0
CONSUMPTION			
Soymeal	137.7	143.8	145.0
Canola/Rape meal	24.1	24.5	25.0
Other	42.3	42.6	43.0
Total	204.1	210.9	213.0
CARRY-OUT STOCKS			
Soymeal	5.1	5.2	5.2
Canola/Rape meal	0.3	0.3	0.3
Other	0.7	0.7	0.7
Total	6.1	6.2	6.2
OILSEED PRODUCTION			
Soybean	215.3	222.8	221.0
Rapeseed/Canola	46.1	46.7	43.5
Other	119.1	119.8	119.5
Total	380.5	389.3	384.0
OILSEED CRUSH			
Soybeans	176.0	183.8	187.1
Rapeseed/Canola	41.0	41.5	42.1
Other	85.3	85.9	86.0
Total	302.3	311.2	315.2

Note: Other includes cottonseed, sunflower seed, fishmeal, peanut, copra and palm kernel.

e: estimate, USDA-FAS; f: forecast, AAFC, February 2006

Source: AAFC, USDA

CANADA: PROTEIN MEAL PRICES



Source: Feed Grain Facts (Market Analysis Division, AAFC)

The increased production of rapeseed meal, forecast at 8.2 Mt, up from the 7.4 Mt in 2004-2005, is partially replacing soymeal in some EU countries. However, in other countries rapeseed meal is expected to replace corn gluten meal. Production of rapeseed meal is being supported by the rising crush for biodiesel. By mid-2006, EU-25 biodiesel capacity may exceed 4.0 Mt. About 80% of EU-25 biodiesel is made with rapeseed oil and in 2004 one-third of the rapeseed crop was used in the production of biodiesel.

Canada: Net exporter of canola meal and net importer of soymeal

For 2005-2006, the production of protein meal is expected to be at a near record high level, although if not constrained by crush capacity could be higher given highly attractive crush margins and burdensome supplies of canola. Canada is expected to remain a net exporter of protein meal as the exports of canola meal exceed imports of soymeal.

Production of canola meal is projected at 2.05 Mt, up slightly from 2004-2005 but slightly below the record of 2.12 Mt set in 2003-2004. About 1.5 Mt of canola meal, mostly from western Canada, are expected to be exported into the US. Around 0.5 Mt is consumed domestically where it is favoured in dairy rations because of its nutritional properties.

Soymeal production is forecast to rise to a record 1.5 Mt for 2005-2006. However, Canada remains deficient in soymeal, and as a result an additional 1.2 Mt of soymeal is expected to be imported, mostly from the US, with shipments roughly equally split between eastern and western Canada. Total soymeal consumption is expected to increase to a record level on support from higher hog numbers and feedlot placements.

Prices

The benchmark US price for soymeal, in-store Decatur, simple average 48% is projected to decrease to US\$165-180 per

short ton (/st) (2,000 lb) for 2005-2006, versus the US\$183/st received in 2004-2005. This translates to an average price of about CAN\$270 per tonne (/t) (2,204 lb), for soymeal in-store Hamilton, based on the 2005-2006 basis of CAN\$35/t to-date and an exchange rate of US\$1=CAN\$1.18. Regionally, the price of soymeal in-store Calgary is expected to be about CAN\$280/t while in the Maritimes, the price is forecast at \$335/t for 2005-2006. The price of canola meal, in-store Vancouver is expected to fall to about CAN\$160/t for 2005-2006, versus the CAN\$175/t received for 2004-2005.

2006-2007 AND MEDIUM TERM OUTLOOK

World production of protein meal is forecast to rise slightly on support from strong crush margins, strong demand for ethanol and biodiesel, ample supplies of raw oilseeds and growing livestock populations. Most of the growth is expected to occur in soymeal because of the large supplies of raw soybeans, attractive crush margins and growing world livestock numbers. World production of canola/rape meal is forecast to rise marginally on support from strong demand for canola/rape oil and biodiesel, sharply higher than usual crush margins and large stocks of canola/rapeseed. Much of the potential increase in canola/rape meal production is offset by constrained crush capacity, particularly in the EU-25 and in Canada.

US production of protein meal is forecast to rise by 4%, to about 39 Mt for 2006-2007 on support from growing domestic demand for protein meal, growing demand for ethanol and biodiesel, expected large oilseed and corn supplies and attractive crush margins. Most of the increase in output is expected to consist of rising soymeal production, which is forecast to rise to about 37 Mt for 2006-2007. However, growth will be constrained by the continued burdensome stocks of soyoil of over 1.0 Mt. Exports of soymeal are expected to be constrained, to about 6.0 Mt,

due to competition from South America and China.

US production of various corn processing by-products such as corn gluten meal and DDGs is forecast to grow in 2006-2007, to about 13.0 Mt, due to rising demand for fuel-grade ethanol. The production of other protein meal, including canola meal, is forecast to remain relatively unchanged for 2006-2007. Over the medium-term, the production of corn meal and DDGs is expected to continue to grow as new ethanol plants come on stream.

Brazilian production of soymeal is forecast to rise slightly, to about 25.0 Mt for 2006-2007 on support from the rising Asian demand for protein meal and ample supplies of raw soybeans. Exports are projected to rise slightly to about 14.5 Mt, while total domestic consumption of soymeal increases to 9.5 Mt. Over the medium-term, production of soymeal is forecast to increase at a steady pace, with the growth in usage split between rising domestic use and exports.

For Argentina, the production of soymeal is forecast to rise slightly to between 23.0 Mt to 24.0 Mt. Exports are expected to increase accordingly as the domestic consumption of soymeal remains stable at below 1.0 Mt. The production and exports of sunflower seed meal are forecast to be unchanged for 2006-2007.

As a result of the sharp expansion in soybean and soymeal output since 2000-2001, bottlenecks in the storage, transport and export of both products have become severe. In an effort to reduce these bottlenecks, investments of over US\$600 million to expand the crush capacity have been announced. As a result, Argentine exports of soymeal are forecast to continue increasing at a steady pace, to over 25.0 Mt by 2011.

In the EU-25, the demand for protein meal is forecast to rise slightly, to about 49.0 Mt, for 2006-2007. Slightly under half of this demand will be filled by domestic production of protein meal, forecast to rise marginally to 23.1 Mt. In the EU-25, strong demand for bio-fuel is expected to support an expanded crush of oilseeds and production of protein meal; however this growth is being constrained by a lack of crush capacity and availability of non-genetically modified canola/rapeseed. EU-25 imports of protein meal are forecast to rise by 6%, to about 25.3 Mt, mostly consisting of soymeal imports from Argentina and Brazil.

Chinese consumption of protein meal is projected to rise slightly, to just under 40 Mt for 2006-2007. Most of this usage is expected to be supplied through domestic production of protein meal, forecast to rise by 2.0 Mt to almost 42.0 Mt. The main feed stocks, utilized for protein meal production will be soybeans, canola/rapeseed,

cottonseed and peanuts. Of these, soymeal is expected to account for slightly over three-quarters of the protein meal produced while rapeseed/canola meal makes up about one-fifth of total output. China prefers to import soybeans and other oilseeds instead of protein meal and for 2006-2007 imports of protein meal are forecast to fall by about 50%.

Over the medium-term, Chinese consumption is projected to rise steadily, exceeding 45.0 Mt by 2011. Chinese consumption of canola meal, produced from Canadian canola, is forecast to rise over the medium-term as nutritionists continue to demonstrate the nutritional benefits of canola meal in aquaculture, hog and chicken diets.

Canadian production of canola meal is forecast to remain stable for 2006-2007 as support from attractive crush margins and burdensome supplies of canola are offset by constrained crush capacity. For 2006-2007, consumption is projected to decline marginally while exports rise slightly. However, over the medium-term, the consumption of canola meal will be supported through the introduction of specialized canola meals. For example, MCN BioProducts, based out of Saskatoon, is developing a protein concentrate extracted from canola meal with high phosphorous availability. This product is targeted for use in rations for shrimp, salmon and rainbow trout in the aquaculture industry.

CANADA: PROTEIN MEAL TRADE BY PROVINCE

	2004 -2005	2005 -2006e	2006 -2007f
.....thousand tonnes.....			
CANOLA MEAL: EXPORTS			
Alberta	573	625	635
Manitoba	301	350	360
Saskatchewan	259	300	300
Ontario	110	100	100
British Columbia	73	75	75
Quebec	27	30	30
Canada	1,343	1,480	1,500
SOYMEAL: IMPORTS			
Ontario	462	475	475
Manitoba	264	275	275
Alberta	180	185	185
British Columbia	101	105	105
Saskatchewan	57	60	60
Quebec	45	45	45
Maritimes	6	5	5
Canada	1,115	1,150	1,150

Note: Flaxseed meal is not included due to confidentiality of data.

e: estimate; f: forecast, AAFC, February 2006

Source: Statistics Canada

Canadian production of soymeal is also forecast to be unchanged as the Canadian crush industry continues to operate at full capacity. Crush margins are expected to remain above the 5 year average given ample soybean supplies for both the crushing and export sectors

Trade

For 2006-2007, world trade in protein meal is projected to rise marginally and by comparison will be about 57% of the world trade in wheat and 63% of the world trade in corn. The pace of growth will be strongly influenced by the growth of the Brazilian and Argentine processing sectors and by EU-25 import demand. Almost all of the growth is expected to occur in higher soymeal trade with shipments of canola meal and the other protein meals remaining stable. It is anticipated that World Trade Organization negotiations will have a minimal impact on the world trade in protein meals in 2006-2007 and over the medium-term.

Prices

For 2006-2007, the price of soybean meal is forecast to range between US\$160-180/st, (CAN\$205-235/t) under pressure from burdensome US stocks, stable to higher meal output in China, South America and the EU-25 and by stable to slow growth in consumption

For 2006-2007, canola meal prices, in-store Vancouver, are forecast to decline marginally, to about \$150/t to \$155/t under pressure from burdensome supplies, continued low US soymeal prices and a stable to slightly stronger Canadian dollar. Based on the projected price for US soymeal, in-store Chicago, and the stable to stronger Canadian dollar, the price of Canadian soymeal, in-store Hamilton, is forecast to remain unchanged at about \$270/t for 2006-2007.

Increased ethanol and biofuel output pressures prices

Over the medium-term, the expansion of the biodiesel industry will support increased production of protein meal as more oilseeds are processed for the oil. This is expected to create a surplus of protein meal, which is also expected to depress prices based on historic oilseed supply and livestock feed demand factors. This drop in protein meal prices is projected to provide a small, lagged, support for increased livestock and aquaculture production. The rising output of biodiesel is also

expected to support the production of high oil content oilseeds, such as canola/rapeseed, rather than the production of soybeans.

By 2009-2010, **Canadian** production of protein meal may rise to slightly under 5.0 Mt. Most of the increase is expected to occur in DDGs production which is forecast to rise to 0.9 Mt based on the processing of 3.3 Mt of corn and wheat for ethanol. The production of canola meal is projected to rise slowly and may approach 2.5 Mt by 2009-2010 while the output of soymeal is expected to remain stable at about 1.5 Mt.

Over the medium-term, the factors to watch in the protein meal market include: the growth of world livestock production, expansion of biofuel production, the rise or fall in disposable incomes and the expansion of oilseed or vegoil production in Brazil, Indonesia and the Former Soviet Union countries.

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CANADA: GRAINS AND OILSEEDS OUTLOOK

February 14, 2006

For 2005-06, the Statistics Canada's estimate of stocks of Canadian grain at December 31, 2005 was close to expectations for grains and oilseeds (G&O) and has confirmed the burdensome supplies of durum wheat and canola in Canada. Despite a projected 14% increase in exports in 2005-06, AAFC forecasts that total G&O carry-out stocks will increase by 12% to a record 18.3 million tonnes (Mt). Prices are expected to decline for wheat and oilseeds, but be unchanged to slightly stronger for coarse grains.

For 2006-07, Canadian farmers are expected to increase the areas seeded to non-durum wheat, oats, barley and corn, while reducing areas of durum, canola, flaxseed and soybeans. Total G&O production is forecast by AAFC to decline by 3% due to lower yields, but total supply is projected to increase slightly due to the larger carry-in stocks. Exports are forecast to increase by 6% to 28.7 Mt, with carry-out stocks projected to fall by 12% to 16.1 Mt. Canadian wheat, canola and oat prices are forecast to decline, with barley and corn prices expected to strengthen. Prices will continue to be pressured by the strong Canadian dollar. The market outlook is very tentative due to the high degree of uncertainty regarding global supply and demand conditions. In addition, trade policy factors, such as the anti-dumping and countervail (AD/CV) duties currently in place on imports of unprocessed grain corn from the US, will also affect the outlook. The other major factors to watch are: import demand from China, EU export subsidies, ocean freight rates, and the Canada/US exchange rate.

WHEAT (ex durum)

For 2005-06, exports are forecast to rise by 8% from 2004-05 due to increased supplies of milling quality wheat. Feed use is expected to decline slightly but remain higher than normal. Carry out stocks are forecast to increase slightly. The Canadian Wheat Board (CWB) January Pool Return Outlook (PRO) has declined and is now below the 2004 05 final realized price. For 2006-07, production is forecast to rise slightly, with increased seeded area largely offset by lower yields. Industrial use is expected to rise sharply as new ethanol plants come on-line in western Canada. Exports are forecast to increase significantly, assuming a normal quality crop. Carry-out stocks are projected to decline. CWB pool returns are projected by AAFC to decline slightly, although the price outlook has been supported by the poor condition of the US hard red winter wheat crop.

DURUM

For 2005-06, total supply reached a record 8.4 Mt. Exports are expected to increase by 15%, but carry out stocks are projected to rise by over 40% to a record 3.6 Mt. The CWB is not expected to be able to accept all deliveries offered by farmers. The CWB PRO is well below the 2004 05 final realized price. For 2006-07, production is forecast to fall by over 20% due to a lower seeded area and yields. However, total supply will decline only slightly because of the larger carry-in stocks. Exports are forecast to decline by 5%, assuming normal yields in the EU and North Africa. Carry-out stocks are forecast to rise slightly. CWB pool returns are forecast by AAFC to be similar to 2005-06.

BARLEY

For 2005-06, exports are forecast to increase by 34%, driven mainly by higher exports of feed barley. Carry-out stocks are forecast to decrease by 11%, but will be high historically. For 2006-07, production is forecast to rise slightly, as lower yields are more than offset by larger area but total supply is projected to rise only marginally due to lower carry-in stocks. Exports are expected to fall, as higher exports of malting barley only partially offset lower exports of feed barley. Carry-out stocks are projected to drop significantly

due to higher feed use. The average off-Board feed barley price is forecast to rise by \$15/t. CWB pool returns are forecast by AAFC to be similar to 2005-06 for Two-Row but decline for Six-Row designated barley.

OATS

For 2005-06, exports are forecast to increase due to less competition from the EU. Carry-out stocks are projected to decrease by 9%. For 2006-07, production is forecast to rise by 17%, due to higher area. Exports are forecast to be flat at 1.7 Mt. Although feed use is expected to increase significantly, carry-out stocks are expected to rise by 11%. Chicago prices are forecast to decrease by C\$15/t from 2005-06 to \$125/t.

CORN

For 2005-06, imports are forecast to fall significantly, due to higher domestic supplies and the AD/CV duties. Carry-out stocks are expected to decline by 17%. While supported by the AD/CV duties, corn prices in eastern Canada are expected to be pressured by larger domestic supplies. For 2006-07, the forecasts are very tentative, depending on the final AD/CV decision by the Canada Border Services Agency (CBSA), expected on March 15, 2006, and the final injury decision of the Canadian International Trade Tribunal by April 18, 2006. Corn production is forecast to fall by 5% as lower yields more than offset higher area. Imports are forecast to increase due to lower domestic supplies and higher demand for ethanol production. Carry-out stocks are forecast to drop by 33%. The average price at Chatham elevator is forecast to rise by 20% to \$120/t.

CANOLA

For 2005-06, total supply is expected to reach a record 11.4 Mt. Exports are forecast to increase by 32%, to 4.5 Mt, while domestic crush rises by 9%, to 3.3 Mt. Carry-out stocks are forecast to rise sharply to a record 3.0 Mt. Prices are expected to decline by about 15%. For 2006-07, production is forecast to decline by 19% due to lower seeded area and yields. Total supply is expected to decline by about 4% as the

record carry-in stocks offset much of the decline in output. Exports and domestic crush are forecast to remain stable at a record high level. Carry-out stocks are forecast to decline by 10% but will be the second highest on record. Canola prices are forecast to decline slightly.

FLAXSEED (excluding solin)

For 2005-06, exports are forecast to rise sharply due to the significant increase in supply and high crude oil prices. Carry-out stocks are expected to rise sharply. The average price is forecast to decline from the above normal level in 2004-05. For 2006-07, production is forecast decline by 12% due to decreased seeded area and lower yields. Exports are forecast to remain stable at about 0.7 Mt while domestic usage remains stable. Carry-out stocks are projected to rise by 13%, while prices remain stable.

SOYBEANS

For 2005-06, total supply is expected to be a record 3.7 Mt. Exports are forecast at a record high 1.15 Mt, while the domestic crush is expected to be a near record 1.75 Mt. Carry-out stocks are expected to decline with prices falling under pressure from lower US prices and the rising Canadian dollar. For 2006-07, production is forecast to fall due to lower seeded area and yields. Total supply is forecast to fall by only 4%, as higher imports largely offset the drop in output. Exports and domestic crush are forecast to remain stable at record high levels. Carry-out stocks are forecast to decline although prices are unchanged.

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CANADA: GRAINS AND OILSEEDS SUPPLY AND DISPOSITION

February 14, 2006

Grain and Crop Year (a)	Area Seeded thousand ha	Area Harvested thousand ha	Yield t/ha	Production	Imports (b)	Total Supply	Exports (c)	Food & Industrial Use (e)	Feed, Waste & Dockage	Total Domestic Use (d)	Carry-out Stocks	Average Price (f) \$/t
thousand metric tonnes												
Durum												
2004-2005	2 230	2 141	2,32	4 962	1	6 752	3 218	254	536	1 013	2 521	201
2005-2006F	2 341	2 297	2,58	5 915	1	8 436	3 700	255	681	1 136	3 600	180 *
2006-2007F	2 130	2 090	2,23	4 665	1	8 266	3 500	260	595	1 066	3 700	180 **
Wheat Except Durum												
2004-2005	8 169	7 722	2,71	20 898	13	25 203	11 593	2 845	4 521	8 138	5 471	190
2005-2006F	7 784	7 530	2,77	20 860	15	26 347	12 500	2 885	4 485	8 247	5 600	186 *
2006-2007F	8 693	8 460	2,60	22 000	15	27 615	14 500	3 150	4 160	8 115	5 000	180 **
All Wheat												
2004-2005	10 399	9 862	2,62	25 860	14	31 955	14 812	3 099	5 056	9 151	7 992	
2005-2006F	10 125	9 826	2,72	26 775	16	34 783	16 200	3 140	5 166	9 383	9 200	
2006-2007F	10 823	10 550	2,53	26 665	16	35 881	18 000	3 410	4 755	9 181	8 700	
Barley												
2004-2005	4 678	4 050	3,26	13 186	83	15 371	1 863	268	9 358	10 019	3 489	112
2005-2006F	4 440	3 889	3,21	12 481	35	16 005	2 500	260	9 740	10 405	3 100	100-120
2006-2007F	4 815	4 210	3,06	12 900	30	16 030	2 300	300	10 785	11 530	2 200	115-135
Corn												
2004-2005	1 185	1 072	8,24	8 837	2 422	12 401	242	2 395	7 951	10 358	1 802	101
2005-2006F	1 124	1 096	8,63	9 461	1 400	12 662	200	2 450	8 497	10 962	1 500	90-110
2006-2007F	1 170	1 130	7,96	9 000	1 900	12 400	150	3 050	8 185	11 250	1 000	110-130
Oats												
2004-2005	1 995	1 315	2,80	3 683	26	4 497	1 675	118	1 560	1 834	988	131
2005-2006F	1 853	1 326	2,59	3 432	15	4 435	1 700	140	1 525	1 835	900	130-150
2006-2007F	2 136	1 550	2,58	4 000	15	4 915	1 700	140	1 900	2 215	1 000	115-135
Rye												
2004-2005	284	165	2,53	418	1	487	122	48	155	220	145	69
2005-2006F	223	148	2,42	359	1	505	150	48	170	235	120	65-85
2006-2007F	207	150	2,33	350	1	471	150	48	176	241	80	75-95
Mixed Grains												
2004-2005	220	111	2,87	318	0	318	0	0	318	318	0	
2005-2006F	209	109	2,78	303	0	303	0	0	303	303	0	
2006-2007F	215	115	2,87	330	0	330	0	0	330	330	0	
Total Coarse Grains												
2004-2005	8 362	6 713	3,94	26 442	2 531	33 074	3 902	2 828	19 342	22 749	6 424	
2005-2006F	7 850	6 568	3,96	26 036	1 451	33 911	4 550	2 898	20 236	23 741	5 620	
2006-2007F	8 542	7 155	3,71	26 580	1 946	34 146	4 300	3 538	21 376	25 566	4 280	
Canola												
2004-2005	5 319	4 938	1,57	7 728	108	8 444	3 412	3 031	328	3 403	1 629	309
2005-2006F	5 491	5 253	1,84	9 660	150	11 440	4 500	3 300	595	3 940	3 000	245-285
2006-2007F	5 053	4 890	1,60	7 800	150	10 950	4 500	3 300	405	3 750	2 700	235-275
Flaxseed												
2004-2005	728	528	0,98	517	39	648	468	n/a	n/a	151	30	n/a
2005-2006F	842	803	1,35	1 082	30	1 142	700	n/a	n/a	242	200	260-300
2006-2007F	805	782	1,21	950	20	1 170	700	n/a	n/a	245	225	260-300
Soybeans												
2004-2005	1 229	1 178	2,59	3 048	393	3 581	1 122	1 610	457	2 190	270	248
2005-2006F	1 176	1 169	2,70	3 161	250	3 681	1 150	1 750	421	2 281	250	205-245
2006-2007F	1 144	1 125	2,53	2 850	450	3 550	1 150	1 750	400	2 250	150	205-245
Total Oilseeds												
2004-2005	7 277	6 643	1,70	11 293	540	12 674	5 002	n/a	n/a	5 743	1 929	
2005-2006F	7 510	7 225	1,92	13 904	430	16 263	6 350	n/a	n/a	6 463	3 450	
2006-2007F	7 002	6 797	1,71	11 600	620	15 670	6 350	n/a	n/a	6 245	3 075	
Total Grains And Oilseeds												
2004-2005	26 038	23 219	2,74	63 596	3 085	77 703	23 715	n/a	n/a	37 643	16 345	
2005-2006F	25 484	23 620	2,82	66 715	1 897	84 956	27 100	n/a	n/a	39 586	18 270	
2006-2007F	26 368	24 502	2,65	64 845	2 582	85 697	28 650	n/a	n/a	40 992	16 055	

(a) August - July crop year except corn and soybeans which are September - August.

(b) Excludes imports of products. (c) Includes exports of products for wheat, oats, barley, and rye. Excludes exports of oilseed products.

(d) Total Domestic Use = Food and Industrial Use + Feed Waste & Dockage + Seed Use

(e) Soybean food and industrial use is based on data from the Canadian Oilseed Processors Association. Total excludes flaxseed due to data confidentiality.

(f) Crop year average prices: No. 1 CWRS 11.5% protein and No. 1 CWAD 11.5% (CWB final price I/S St. Lawrence/Vancouver), Barley (No. 1 feed, WCE, cash, I/S Lethbridge), Corn (No. 2 CE, cash, I/S Chatham), Oats (US No. 2 Heavy, CBoT nearby futures); Rye (No. 2 Canada, Elevator bids at select western delivery points); Canola (No. 1 Canada, WCE, cash, I/S Vancouver); Flaxseed (No. 1 CW, WCE, cash, I/S Thunder Bay); Soybeans (No. 2, I/S Chatham).

* Canadian Wheat Board Pool Return Outlook - January 26, 2006

** AAFC Forecast, February, 2006

F: Forecast; Agriculture and Agri-Food Canada - February 14, 2006

Source: Statistics Canada, Cereals and Oilseeds Review Series, Cat. No. 22-007



CANADA: PULSE AND SPECIAL CROPS OUTLOOK

February 14, 2006

For 2005-06, total Canadian exports, domestic use and carry-out stocks of pulse and special crops are forecast to increase due to higher supply. Average prices, over all types, grades and markets are forecast to increase for chickpeas and buckwheat, but decrease for dry peas, lentils, dry beans, mustard seed, canary seed and sunflower seed.

For 2006-07, total area seeded to pulse and special crops in Canada is forecast to decrease by 3%, from 2005-06, as increases for dry peas, chickpeas, sunflower seed and buckwheat are more than offset by decreases for lentils, dry beans, mustard seed and canary seed. It is assumed that precipitation will be normal for the growing and harvest periods, and that the abandonment rate and quality will be normal. Trend yields are assumed for both western and eastern Canada, as soil moisture reserves are generally good. Total production in Canada is forecast to decrease by 10%, from 2005-06, to 4.8 million tonnes (Mt). Total supply is expected to decrease by 5% to 6.38 Mt, as higher carry-in stocks offset most of the decrease in production. Exports are forecast to decrease due to lower supply, while domestic use is forecast to be relatively stable. Carry-out stocks are expected to decrease. Average prices, over all types, grades and markets, are forecast to increase for dry peas, mustard seed and canary seed, decrease for chickpeas, and be the same for dry beans, lentils, sunflower seed and buckwheat. The main factors to watch are weather conditions, especially precipitation, during the growing and harvest periods in Canada. Other factors to watch are the exchange rates of the Canadian dollar against the US dollar and other currencies, ocean shipping rates and growing conditions in major producing regions, especially India, Mexico, United States, European Union, Turkey and Australia.

DRY PEAS

For 2005-06, due to higher production and supply, lower prices and stronger demand, exports are forecast to increase sharply from 2004-05. The average price, over all types, grades and markets, is forecast to decrease because of higher supply. Carry-out stocks are expected to decrease, with a stocks-to-use ratio (s/u) of 12%.

For 2006-07, the area seeded is forecast to increase by 3% from 2005-06. Production and supply are forecast to decrease, as lower trend yields more than offset the increase in seeded area. World supply is expected to decrease marginally to 12.4 Mt as slightly higher production is more than offset by lower carry-in stocks. Canadian exports are forecast to decrease because of the lower supply, while domestic use increases marginally. Carry-out stocks are forecast to decrease, with a s/u of 10%. The average price is expected to be slightly higher than in 2005-06 due to the lower supply.

LENTILS

For 2005-06, due to higher production and supply, lower prices and higher demand, exports are forecast to increase sharply. The average price, over all types and grades, is expected to decrease because of higher supply. Carry-out stocks are forecast to increase, with a s/u of 63%.

For 2006-07, the area seeded is forecast to decrease by 10%. Production is forecast to decrease sharply due to lower seeded area and lower trend yields, but supply is expected to decrease only marginally because of higher carry-in stocks. Production is expected to decrease for green lentils, but increase for red lentils. World supply is forecast to decrease marginally to 4.54 Mt. Canadian exports are expected to increase due to higher Canadian supply of red lentils and carry-out stocks are forecast to decrease slightly, with a s/u of 61%. The average price is forecast to be the same as in 2005-06 because of the relatively stable supply.

DRY BEANS

For 2005-06, production and supply increased significantly in Canada and the US. Canadian exports are forecast to increase because of higher supply. Carry-out stocks are forecast to increase, with a s/u of 7%. The average price, over all classes and grades, is forecast to decrease due to higher US and Canadian supply.

For 2006-07, the area seeded is forecast to decrease by 5%. Production and supply are expected to increase, as a lower area, is more than offset by lower abandonment and higher trend yields. In the US, production is expected to decrease by 13% to 1.03 Mt, while supply decreases by only 5% to 1.26 Mt due to higher carry-in stocks. Canadian exports are forecast to increase due to the higher supply. Carry-out stocks are expected to increase, with a s/u of 9%. The average price is forecast to be the same as in 2005-06, as pressure from the higher Canadian supply is offset by support from lower US supply.

CHICKPEAS

For 2005-06, due to higher production and supply, exports are forecast to increase. The average price is forecast to increase, due to higher quality, stronger demand and a shift to the production of the higher priced kabuli type. Carry-out stocks are expected to increase, with a s/u of 10%.

For 2006-07, the area seeded is forecast to increase by 40%. Production and supply are expected to increase, as higher area more than offsets lower trend yields. World supply is expected to decrease marginally to 9.1 Mt. Although Canadian exports are forecast to increase due to strong demand, carry-out stocks are expected to rise, with a s/u of 17%. The average price is forecast to decrease due to higher world supply of the kabuli type, which accounts for about 90% of Canadian production.

MUSTARD SEED

For 2005-06, due to stronger demand, exports are forecast to increase. Carry-out stocks are expected to decrease slightly, with a s/u of 88%. The average price, over all types and grades, is forecast to decrease because of the higher supply of high quality seed.

For 2006-07, the area seeded is expected to decrease by 20%. Production and supply are forecast to decrease because of lower seeded area and lower trend yields. Exports are expected to rise due to higher demand and carry-out stocks are forecast to decrease, with a s/u of 53%. The average price is expected to increase due to the lower supply.

CANARY SEED

For 2005-06, due to stronger demand and lower prices, exports are forecast to increase. Carry-out

stocks are expected to rise, with a s/u ratio of 88%. The average price is forecast to decrease due to higher supply.

For 2006-07, the area seeded is expected to decrease by 20%. Production and supply are forecast to decrease due to lower area and lower trend yields. World supply is forecast to decrease by 15% to 370,000 t. Canadian exports are expected to increase, due to higher demand and carry-out stocks are forecast to decrease, with a s/u of 50%. The average price is forecast to increase because of the lower supply.

SUNFLOWER SEED

For 2005-06, due to higher production and supply, exports and domestic use are expected to increase. Carry-out stocks are forecast to increase, with a s/u of 13%. The average price, over both types and all grades, is forecast to decrease due to higher supply. For 2006-07, the area seeded is expected to increase by 11%. Production and supply are forecast to increase due to higher area, lower abandonment and higher trend yields. US supply is expected to decrease by 9% to 1.75 Mt. Canadian exports and domestic use are forecast to increase because of the higher supply. Carry-out stocks are expected to increase, with a s/u of 13%. The average price is forecast to be the same as in 2005-06, as pressure from higher Canadian supply is offset by support from lower US supply.

BUCKWHEAT

For 2005-06, the average price is forecast to increase slightly. For 2006-06, Canadian production and supply are forecast to remain stable, as a higher seeded area is offset by lower trend yields. The average price is expected to be the same as in 2005-06.

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CANADA: PULSE AND SPECIAL CROPS SUPPLY AND DISPOSITION

February 14, 2006

Grain and Crop Year (a)	Area Seeded thousand ha	Area Harvested ha	Yield t/ha	Production	Imports (b)	Total Supply thousand	Exports (b) metric tonnes	Total Domestic Use (d)	Carry-out Stocks	Average Price (e) \$/t
Dry Peas										
2002-2003	1,297	1,050	1.30	1,365	41	1,681	626	745	310	210
2003-2004	1,303	1,271	1.67	2,124	24	2,458	1,316	937	205	175
2004-2005	1,388	1,345	2.48	3,338	56	3,599	1,853	1,151	595	135
2005-2006f	1,366	1,319	2.35	3,100	90	3,785	2,200	1,185	400	105-135
2006-2007f	1,405	1,357	2.17	2,950	100	3,450	1,950	1,200	300	110-140
Lentils										
2002-2003	601	387	0.91	354	9	494	319	120	55	390
2003-2004	554	536	0.97	520	5	580	367	175	38	420
2004-2005	778	750	1.28	962	10	1,010	451	314	245	310
2005-2006f	884	862	1.48	1,278	10	1,533	625	318	590	235-265
2006-2007f	795	755	1.23	930	10	1,530	650	300	580	235-265
Dry Beans										
2002-2003	230	219	1.89	414	40	489	298	96	95	445
2003-2004	167	167	2.13	356	31	482	344	83	55	495
2004-2005	163	126	1.75	220	28	303	277	21	5	650
2005-2006f	200	177	1.84	326	40	371	300	46	25	485-515
2006-2007f	189	185	1.95	360	30	415	320	60	35	485-515
Chickpeas										
2002-2003	221	154	1.01	156	9	345	105	160	80	300
2003-2004	63	63	1.08	68	2	150	74	51	25	330
2004-2005	47	39	1.31	51	4	80	47	28	5	385
2005-2006f	79	73	1.42	104	5	114	70	34	10	455-485
2006-2007f	110	101	1.19	120	5	135	80	35	20	400-430
Mustard Seed										
2002-2003	289	255	0.60	154	9	196	114	22	60	595
2003-2004	340	328	0.69	226	2	288	121	75	92	390
2004-2005	317	304	1.01	306	1	399	119	86	194	295
2005-2006f	212	206	0.98	201	1	396	130	81	185	255-285
2006-2007f	169	163	0.89	145	1	331	140	76	115	275-305
Canary Seed										
2002-2003	287	227	0.78	176	0	206	160	26	20	575
2003-2004	251	243	0.93	226	0	246	165	14	67	345
2004-2005	356	318	0.95	301	0	368	163	35	170	230
2005-2006f	190	186	1.22	227	0	397	175	37	185	175-205
2006-2007f	152	145	1.00	145	0	330	180	40	110	195-225
Sunflower Seed										
2002-2003	100	95	1.65	157	21	200	105	60	35	440
2003-2004	119	115	1.30	150	16	201	96	80	25	405
2004-2005	87	59	0.92	54	35	114	32	64	18	490
2005-2006f	93	75	1.19	89	25	132	45	72	15	340-370
2006-2007f	103	96	1.46	140	20	175	80	75	20	340-370
Buckwheat										
2002-2003	12	12	1.00	12	1	16	6	7	3	340
2003-2004	9	9	1.11	10	1	14	5	7	2	355
2004-2005	9	7	0.71	5	1	8	4	4	0	355
2005-2006f	7	6	1.33	8	1	9	4	5	0	345-375
2006-2007f	8	7	1.14	8	1	9	4	5	0	345-375
Total Pulse And Special Crops (c)										
2002-2003	3,036	2,399	1.16	2,788	130	3,627	1,733	1,236	658	
2003-2004	2,805	2,732	1.35	3,680	81	4,419	2,488	1,422	509	
2004-2005	3,145	2,948	1.78	5,237	135	5,881	2,946	1,703	1,232	
2005-2006f	3,031	2,904	1.84	5,333	172	6,737	3,549	1,778	1,410	
2006-2007f	2,931	2,809	1.71	4,798	167	6,375	3,404	1,791	1,180	

(a) August-July crop year.

(b) Excludes products.

(c) Includes Pulse Crops (dry peas, lentils, dry beans, chick peas) and Special Crops (mustard seed, canary seed, sunflower seed, buckwheat)

(d) Includes food, feed, seed, waste and dockage. Total domestic use is calculated residually.

(e) Producer price, FOB plant. Average over all types, grades and markets.

f. forecast, Agriculture and Agri-Food Canada, February 14, 2006

Source: Statistics Canada and industry consultations.

February 20, 2006

A. SELLING PRICE OF BULK FEED INGREDIENTS AT SELECTED POINTS

SELECTED POINT	REFERENCE PERIOD	PRICE BASIS	(1)	WHEAT	OATS	BARLEY	CORN	PRICE BASIS	SOYBEAN MEAL	CANOLA MEAL	MILL FEEDS	MEAT MEAL	FISH MEAL	ANIMAL FAT	GLUTEN MEAL	GLUTEN FEED	FEED PEAS	DEHY ALFALFA	FEATHER MEAL
Vancouver	February 20, 2006	FOB		133.00		135.00	214.00		265.50	159.00	100.00		925.00	450.00					375.00
BC (4) (7)	February 13, 2006			134.00	N/A	134.00	214.00		265.50	159.00	100.00		912.50	450.00					375.00
Calgary	February 20, 2006	FOB		102.00	N/A	103.00	164.00		259.00			135.00	1000.00	460.00					380.00
AB (4)	February 13, 2006			100.00	N/A	106.00	166.00		259.00			135.00	1000.00	460.00					380.00
Saskatoon	February 20, 2006	FOB		103.50	130.00	93.50	148.00		262.50	N/A		135.00	N/A	460.00			116.00		410.00
SK (4)	February 13, 2006			105.00	130.00	95.00	149.00		262.50	N/A		135.00	N/A	460.00			116.67		410.00
Winnipeg	February 20, 2006	FOB		140.00	140.00	112.00	136.00		245.00	N/A		270.00	1042.50	525.00					370.00
MB (4) (9)	February 13, 2006			141.00	140.00	112.00	137.00		245.00	N/A		270.00	1042.50	525.00					370.00
Thunder Bay	February 20, 2006	In-Store		118.00	N/A														
ON (8)	February 13, 2006			120.00	N/A	109.35													
Lake Ports	February 20, 2006	On Board					106.37												
USA (3)	February 13, 2006	Vessel					103.71												
Bay Ports	February 20, 2006	In-Store		151.50	200.00	137.00													
ON	February 13, 2006			150.25	200.00	137.00													
Chatham	February 20, 2006	Track					117.03												
ON	February 13, 2006						115.23												
Toronto	February 20, 2006	N/A																	
ON (5)	February 13, 2006																		
Hamilton	February 20, 2006	N/A							268.19	N/A		182.00	N/A	430.00		425.00	114.00		312.50
ON	February 13, 2006								262.90	N/A		182.00	N/A	440.00		425.00	114.00		310.00
Eastern	February 20, 2006	FOB					118.00												
ON	February 13, 2006						118.75												
London	February 20, 2006	FOB																	
ON	February 13, 2006																		
Port Colborne	February 20, 2006	FOB																	
ON	February 13, 2006																		
Cardinal	February 20, 2006	FOB																	
ON	February 13, 2006																		
Montreal	February 20, 2006			155.00	155.00	145.00	132.00		273.78	200.20	85.00	180.00	850.00	424.50		425.00	114.00		320.00
QC (5)	February 13, 2006			165.00	170.00	155.00	132.00		269.86	210.50	93.33	180.00	850.00	449.50		425.00	114.00		320.00
Trois-Rivières	February 20, 2006	In-Store		150.80		148.80	N/A												
QC	February 13, 2006			158.30		148.70	N/A												
St. Jean QC (2)	February 20, 2006	FOB		145.58	137.00	137.00	122.83		261.29										
St. Hyacinthe QC	February 13, 2006			154.27	N/A	136.68	123.27		263.50										
Quebec	February 20, 2006	In-Store		156.43	N/A	161.64	138.82		267.58	204.07									
QC	February 13, 2006			156.43	N/A	164.22	138.14		284.65	212.80									
Truro	February 20, 2006	Track		181.75	145.00	170.80	164.00		300.03	210.51		241.10		543.00					320.00
NS	February 13, 2006			187.75	165.00	170.80	162.00		296.13	210.51		241.10		543.00					320.00
Truro	February 20, 2006	Water		N/A	N/A	N/A	N/A												
NS	February 13, 2006	& Truck		N/A	N/A	N/A	N/A												
Halifax	February 20, 2006	In-Store		164.70	N/A	N/A	176.75		320.45	251.45	297.50		1,150.00	N/A					
NS (6)	February 13, 2006			166.65	N/A	N/A	176.50		318.40	246.85	297.50		1,150.00	N/A					

Closing date
Feb. 17/2006

US\$1.00 = CANS 1.1522

Source: Market Analysis Division, Agriculture and Agri-Food Canada; Thunder Bay prices are based on the Winnipeg Commodity Exchange (WCE) market close

N/A = not available

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Footnotes: All prices in Canadian dollars per metric tonne based on survey respondents.

Grain grades (unless otherwise specified) are: Western or Eastern Feed Wheat. Feed Oats. No.1 Canada Western or Eastern Barley. No.2 Canada Yellow Corn. No.3 US Yellow Corn. Soybean Meal 48 % Protein. Canola Meal based on minimum standard of 35% Protein. Fish Meal: white fish and/or herring meal. Gluten Meal 60% Protein. Gluten Feed 21% Protein.

(1) Wheat 3CWRS. (2) Canadian Corn #3 or #2. (3) US Corn. (4) Fish Meal From West Coast 63% Protein (5) Fish Meal 60% Protein (6) Herring Fish Meal (7) Fraser Valley (8) Wheat & Barley (Basis - Cash Price WCE) (9) Oats 3CW

B. CASH PRICES AND REPLACEMENT VALUES

February 20, 2006

PRAIRIE GRAINS

Selected Points	Price Basis		This week 20-Feb-06	Last week 6-Feb-06	Month ago 23-Jan-06	Year Ago 21-Feb-05
From: Thunder Bay(WCE) (2)	In-Store	Wheat	118.00	124.00	126.00	98.00
(CBOT)		Oat	192.00	202.00	190.75	159.50
(Lethbridge)		Barley	104.00	107.00	109.00	109.00
To: Bayport, ON (1)	In-store	Wheat	141.61	147.61	149.61	121.61
		Oat	N/A	N/A	N/A	N/A
		Barley	131.39	134.39	136.39	136.39
Montreal, QC (1)	In-store	Wheat	146.03	152.03	154.03	126.03
		Oat	N/A	N/A	N/A	N/A
		Barley	136.31	139.31	141.31	141.31
Moncton, NB	Truck via Halifax	Wheat	168.25	174.25	176.25	148.25
		Oat	N/A	N/A	N/A	N/A
		Barley	160.50	163.50	165.50	165.50
Truro, NS	Truck via Halifax	Wheat	162.22	168.22	170.22	142.22
		Oat	N/A	N/A	N/A	N/A
		Barley	158.00	161.00	163.00	163.00
Halifax, NS (1)	In-store	Wheat	153.28	159.28	161.28	133.28
		Oat	N/A	N/A	N/A	N/A
		Barley	144.30	147.30	149.30	149.30
Stephenville, NL	Track / Truck via Sydney	Wheat	216.63	222.63	224.63	196.63
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A
Melfort, SK		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Bayport, ON		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Montreal, QC		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Moncton, NB		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Truro, NS		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track / Truck via Sydney	Barley	N/A	N/A	N/A	N/A
Stephenville, NL		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A

Selected Points	Price Basis		This week 20-Feb-06	Last week 6-Feb-06	Month Ago 23-Jan-06	Year Ago 21-Feb-05
Corn						
From: US Lake Port	On Board Vessel		106.37	103.71	100.62	96.84
To: Montreal, QC (1)	In-store		125.41	122.75	119.66	115.88
From: Chicago (IL)	Track		221.02	218.04	218.58	101.20
To: Montreal, QC	Track		249.88	246.90	247.44	130.06
From: Chatham, ON	Track		117.03	115.23	117.60	105.74
To: Montreal, QC	Track		140.90	139.10	141.47	129.61
Soymeal 48% Protein						
From: Hamilton, ON			268.19	262.90	292.55	263.67
To: Montreal, QC	Track		292.52	287.23	316.88	288.00
Moncton, NB	Track		311.27	305.98	335.63	306.75
Truro, NS	Track		314.49	309.20	338.85	309.97
Stephenville, NL	Track / Truck via Sydney		363.12	357.83	387.48	358.60

- Prices include ONE month of storage and interest charges n/a = not available
- Thunder Bay prices are based on the Winnipeg Commodities Exchange market close (Cash price)

Source: Market Analysis Division, Agriculture and Agri-Food Canada

Contact: Corinne Bruneau: Statistical Clerk (204) 983-0581 Fax: (204) 983-5524 e-mail: bruneauc@agr.gc.ca

Footnotes: All prices quoted in Canadian dollars per metric tonne.

Grain grades (unless otherwise specified) are: Canada Western Feed Wheat, Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn.

Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec.

Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable

A. SELLING PRICE OF BULK FEED INGREDIENTS AT SELECTED POINTS

February 6, 2006

SELECTED POINT	REFERENCE PERIOD	PRICE BASIS	(1) WHEAT	OATS	BARLEY	CORN	CORN	PRICE BASIS	SOYBEAN MEAL	CANOLA MEAL	MILL-FEEDS	MEAT MEAL	FISH MEAL	ANIMAL FAT	GLUTEN MEAL	GLUTEN FEED	FEED PEAS	DEHY ALFALFA	FEATHER MEAL
Vancouver (4) (7)	February 6, 2006	FOB	134.00	N/A	134.00	215.00		266.50	162.00	162.00	100.00		912.50	450.00					385.00
BC	January 30, 2006		133.00	N/A	135.00	217.00		276.50	168.00	168.00	115.00		912.50	460.00					395.00
Calgary	February 6, 2006	FOB	100.00	N/A	106.00	166.00		264.00				135.00	1000.00	460.00					380.00
AB	January 30, 2006		101.00	N/A	104.00	168.00		273.00					1000.00	470.00					390.00
Saskatoon	February 6, 2006	FOB	105.00	130.00	94.50	149.00		267.50	N/A	N/A		135.00	N/A	460.00			115.33		410.00
SK	January 30, 2006		106.00	137.50	94.50	149.00		274.50	N/A	N/A		140.00	N/A	470.00			116.67		420.00
Winnipeg	February 6, 2006	FOB	142.00	140.00	113.00	137.00		253.00	N/A	N/A		270.00	1042.50	525.00					370.00
MB	January 30, 2006		142.50	140.00	113.50	135.00		257.00	N/A	N/A		280.00	1042.50	525.00					370.00
Thunder Bay	February 6, 2006	In-Store	124.50	N/A	112.00														
ON	January 30, 2006		124.50	N/A	112.00														
Lake Ports	February 6, 2006	On Board				103.08													
USA	January 30, 2006	Vessel				94.41													
Bay Ports	February 6, 2006	In-Store	151.50	200.00	137.00														
ON	January 30, 2006		160.00	195.00	140.00														
Chatham	February 6, 2006	Track				119.01													
ON	January 30, 2006					117.54													
Toronto	February 6, 2006	N/A																	
ON	January 30, 2006																		
Hamilton	February 6, 2006	N/A																	
ON	January 30, 2006																		
Eastern	February 6, 2006	FOB				117.50													
ON	January 30, 2006					117.50													
London	February 6, 2006	FOB																	
ON	January 30, 2006																		
Port Colborne	February 6, 2006	FOB																	
ON	January 30, 2006																		
Cardinal	February 6, 2006	FOB																	
ON	January 30, 2006																		
Montreal	February 6, 2006		165.00	170.00	155.00	132.00		272.55	211.00	211.00	93.33	180.00	850.00	455.00					320.00
QC	January 30, 2006		165.00	170.00	155.00	132.00		272.61	211.00	211.00	96.67	180.00	850.00	469.50					320.00
Trois-Rivières	February 6, 2006	In-Store	159.00		149.00	N/A													
QC	January 30, 2006		164.20		150.40	N/A													
St. Jean QC (2)	February 6, 2006	FOB	145.75	143.75	135.75	123.81		261.92											
St. Hyacinthe QC	January 30, 2006		147.50	152.50	135.00	126.00		263.61											
Quebec	February 6, 2006	In-Store	159.33	N/A	165.46	137.35		269.03	222.12	222.12									
QC	January 30, 2006		162.07	N/A	169.72	136.48		275.76	222.70	222.70									
Truro	February 6, 2006	Track	188.42		173.20	163.95		299.29	214.04	214.04									
NS	January 30, 2006		186.98		167.20	164.93		316.53	233.66	233.66									
Truro	February 6, 2006	Water		N/A	N/A	N/A													
NS	January 30, 2006	& Truck		N/A	N/A	N/A													
Halifax	February 6, 2006	In-Store	165.68	N/A	N/A	174.60		318.45	252.95	252.95									
NS	January 30, 2006		167.75	N/A	N/A	N/A		N/A											

Closing date
Feb. 03/2006

US\$1.00 = CANS 1.1471

Source: Market Analysis Division, Agriculture and Agri-Food Canada; Thunder Bay prices are based on the Winnipeg Commodity Exchange (WCE) market dose

Contact: Corinne Bruneau Statistical Clerk Telephone: (204) 983-0581 Fax: (204) 983-5524 Email: bruneau@agr.gc.ca

N/A = not available

Footnotes: All prices in Canadian dollars per metric tonne based on survey respondents.

Grain grades (unless otherwise specified) are: Western or Eastern Feed Wheat. Feed Oats. No.1 Canada Western or Eastern Barley. No.2 Canada Yellow Corn. No.3 US Yellow Corn. Soybean Meal 48 % Protein. Canola Meal based on minimum standard of 35% Protein. Fish Meal: white fish and/or herring meal. Gluten Meal 60% Protein. Gluten Feed 21% Protein.

(1) Wheat 3CWRS (2) Canadian Corn #3 or #2 (3) US Corn (4) Fish Meal from West Coast 63% Protein (5) Fish Meal 60% Protein (6) Herring Fish Meal (7) Fraser Valley (8) Wheat & Barley (Basis - Cash Price WCE) (9) Oats 3CW

B. CASH PRICES AND REPLACEMENT VALUES

February 6, 2006

PRAIRIE GRAINS

Selected Points	Price Basis		This week 6-Feb-06	Last week 23-Jan-06	Month ago 9-Jan-06	Year Ago 7-Feb-05
From: Thunder Bay(WCE) (2)	In-Store	Wheat	124.00	126.00	128.00	97.00
(CBOT)		Oat	202.00	190.75	191.25	161.75
(Lethbridge)		Barley	107.00	109.00	113.00	108.00
To: Bayport, ON (1)	In-store	Wheat	147.61	149.61	151.61	120.61
		Oat	N/A	N/A	N/A	N/A
		Barley	134.39	136.39	140.39	135.39
Montreal, QC (1)	In-store	Wheat	152.03	154.03	156.03	125.03
		Oat	N/A	N/A	N/A	N/A
		Barley	139.31	141.31	145.31	140.31
Moncton, NB	Truck via Halifax	Wheat	174.25	176.25	178.25	147.25
		Oat	N/A	N/A	N/A	N/A
		Barley	163.50	165.50	169.50	164.50
Truro, NS	Truck via Halifax	Wheat	168.22	170.22	172.22	141.22
		Oat	N/A	N/A	N/A	N/A
		Barley	161.00	163.00	167.00	162.00
Halifax, NS (1)	In-store	Wheat	159.28	161.28	163.28	132.28
		Oat	N/A	N/A	N/A	N/A
		Barley	147.30	149.30	153.30	148.30
Stephenville, NL	Track / Truck via Sydney	Wheat	222.63	224.63	226.63	195.63
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A
Melfort, SK		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Bayport, ON		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Montreal, QC		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Moncton, NB		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Truro, NS		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track / Truck via Sydney	Barley	N/A	N/A	N/A	N/A
Stephenville, NL		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A

Selected Points	Price Basis		This week 6-Feb-06	Last week 23-Jan-06	Month Ago 9-Jan-06	Year Ago 7-Feb-05
Corn						
From: US Lake Port	On Board Vessel		103.08	100.62	99.44	95.94
To: Montreal, QC (1)	In-store		122.12	119.66	118.48	114.98
From: Chicago (IL)	Track		219.66	218.58	212.84	99.88
To: Montreal, QC	Track		248.52	247.44	241.70	128.74
From: Chatham, ON	Track		119.01	117.60	115.90	103.24
To: Montreal, QC	Track		142.88	141.47	139.77	127.11

Soymeal 48% Protein						
From: Hamilton, ON			266.76	292.55	281.64	242.29
To: Montreal, QC	Track		291.09	316.88	305.97	266.62
Moncton, NB	Track		309.84	335.63	324.72	285.37
Truro, NS	Track		313.06	338.85	327.94	288.59
Stephenville, NL	Track / Truck via Sydney		361.69	387.48	376.57	337.22

- Prices include ONE month of storage and interest charges n/a = not available
- Thunder Bay prices are based on the Winnipeg Commodities Exchange market close (Cash price)

Source: Market Analysis Division, Agriculture and Agri-Food Canada

Contact: Corinne Bruneau: Statistical Clerk (204) 983-0581 Fax: (204) 983-5524 e-mail: bruneauc@agr.gc.ca

Footnotes: All prices quoted in Canadian dollars per metric tonne.

Grain grades (unless otherwise specified) are: Canada Western Feed Wheat, Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn.

Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec.

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Bi-weekly Bulletin

February 24, 2006 Volume 19 Number 4



UNITED STATES: PULSE CROPS SITUATION AND OUTLOOK

During the past ten years, seeded area for dry peas and lentils in the United States (US) was relatively stable until 2002 when these crops, as well as chickpeas, were first included under the loan program. Since 2002, the seeded area increased sharply for both crops. In contrast, US seeded area for dry beans, which are not included in the loan program, has been trending downwards. Although there is bilateral trade in pulse crops, the US and Canada are competitors in world markets, especially for dry beans, dry peas and lentils. This issue of the *Bi-weekly Bulletin* examines the situation and outlook for the production and trade of pulse crops in the US.

PRODUCTION

The US is a large producer of dry beans, dry peas and lentils, a small producer of chickpeas and a minor producer of fababeans. In 2005, the US accounted for about 6% each of world dry bean, dry pea and lentil production. During the past ten years, total pulse crops seeded area has been cyclical, but with no significant upward or downward trend. However, in the latest cycle, seeded area rose in 2004 and rose further to a ten year high in 2005.

Dry Beans

Dry beans are the largest pulse crop produced in the US, although the seeded area and production have been trending downwards during the past ten years. Pinto, white pea (navy) and black are the largest classes of dry beans produced in the US. Other classes produced include Great Northern, light and dark red kidney, small red, pink, cranberry, small white, blackeye, large lima and baby lima. Seeded area and production have been trending downwards over the past ten years for white pea, Great Northern and cranberry beans because of competition in the export markets, but remained relatively stable for pinto, light and dark red kidney, small red and pink beans. North Dakota is the largest producing state, accounting for 37% of the US dry bean seeded area in 2005.

The other major producing states are Michigan, Nebraska, Minnesota, Colorado and Idaho.

Dry Peas

US dry pea seeded area and production have increased sharply since dry peas were first included under the loan program in 2002. The seeded area nearly quadrupled since 2001, with most of the growth occurring in North Dakota and Montana, with North Dakota accounting for 67% of the US seeded area in 2005. Other important dry pea producing states are Washington and Idaho. The US produces mainly green peas, but yellow, Austrian winter and wrinkled seed peas are also produced. The growth in production has been mainly for green and yellow peas.

Lentils

US lentil seeded area and production have also increased sharply since lentils were first included under the loan program in 2002, but the increases haven't been as large as for dry peas. The seeded area has more than doubled since 2001, with the

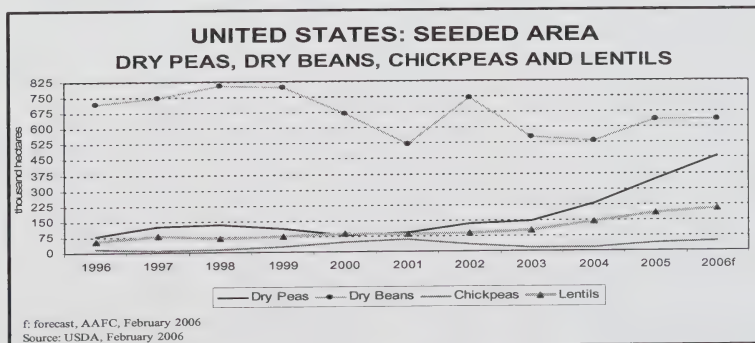
growth occurring in Montana and North Dakota, with each state accounting for about a third of the US seeded area in 2005. Other important producing states are Washington and Idaho. The US produces mostly medium green and brown lentils, but some large and small green, and red lentils are also produced. The growth in production has been mainly for the medium green type.

Chickpeas (Garbanzo beans)

US chickpea seeded area and production has been cyclical during the past ten years, peaking in 2001, followed by a sharp decline before recovering in 2005. The US produces mainly large kabuli chickpeas. Although production of small chickpeas, (small kabuli and desi), is low, there has been growth since they were first included under the loan program in 2002. In 2005, Idaho and Washington accounted for about a third and a quarter, respectively, of the US seeded area. Other significant producing states are California, Montana, North Dakota and South Dakota.

TRADE

Dry beans and chickpeas produced in the US are mostly used domestically and only about one-third are exported. In contrast, more than half of the lentils and about half of the dry peas produced in the US are exported.



The US is a net exporter of dry peas, dry beans and lentils, but the long term balance of trade for chickpeas and fababeans has been about equal. In terms of world trade, the US accounts for about 10% of world dry bean, dry pea and lentil exports. US share of world chickpea and fababean exports is very small. The US is a fairly small importer except for dry beans, for which it accounts for about 5% of world imports. With the growth in production, the US has become a much more significant competitor for Canada and other exporting countries in the world dry pea and lentil markets.

A significant portion of US pulse crops are exported through food aid programs. Averaged over the past five years, food aid exports accounted for 71%, 46% and 19% of total lentil, dry pea and dry bean exports, respectively.

Dry Peas

US dry pea exports, generally destined for the food market, have been trending upwards with the increase in production. Imports, most of which come from Canada, have been relatively stable. Exports to Canada have been rising as some producers near the Canadian border deliver to Canadian dealers. For the first time, in

2005 the US became a net exporter of dry peas to Canada. US dry peas are exported mostly to Africa, Asia and the Americas. Canada is the largest export destination. In 2004, Cuba became the second largest destination. In 2005, India became a major export destination, ranking third. Other major markets are Philippines, Sudan and Kenya.

Dry Beans

US dry bean exports have been trending downwards, while imports have been trending upwards. US dry beans are exported throughout the world, with United Kingdom, Mexico and Canada the most

significant destinations. Imports are mostly from Canada. Exports to Canada have been variable, while imports from Canada have been trending upwards. There is significant cross border trade by producers because many US and Canadian growing areas are located near the border.

Lentils

US lentil exports have been trending upwards with the increase in production. Imports, mostly from Canada, have been low and variable. US lentil exports are mostly to Europe, Africa and the Americas, with Spain being the largest importer. US lentil trade with Canada has been relatively small.

Chickpeas

US chickpea exports have been variable and in line with production volumes. Canada and Spain were the largest destinations. Imports have been relatively stable, with Mexico and Canada as the main suppliers.

Fababeans

US fababean trade is small and mostly with Canada.

OUTLOOK 2006-2010

For 2006, US production of dry peas, lentils and chickpeas is expected to increase from 2005 due to higher seeded area, resulting from higher expected net returns relative to many alternative crops. For dry peas, lentils and small chickpeas, the higher net returns are due largely to the high loan deficiency payments or market loan gains received for these crops. For large chickpeas, the higher net returns are due to historically high prices. Production of dry beans is forecast to

UNITED STATES: PULSE CROPS SEEDED AREA

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006f
.....thousand hectares.....											
Dry Peas	80	126	134	111	78	92	131	145	228	344	455
Dry Beans	717	747	803	795	666	519	743	551	530	635	635
<i>pinto</i>	328	313	395	285	291	225	337	269	263	334	n/a
<i>white pea</i>	168	156	103	178	140	86	140	64	75	95	n/a
<i>black</i>	36	54	97	75	38	38	80	34	56	45	n/a
<i>Great Northern</i>	49	45	46	54	52	44	38	44	21	28	n/a
<i>light red kidney</i>	27	36	31	37	34	28	28	27	23	30	n/a
<i>dark red kidney</i>	26	27	26	27	26	23	29	20	21	22	n/a
<i>small red</i>	8	17	13	17	7	8	13	13	13	21	n/a
<i>pink</i>	13	15	22	21	7	8	14	13	12	16	n/a
<i>cranberry</i>	13	17	14	15	13	12	10	6	5	5	n/a
Chickpeas	17	10	12	24	46	60	35	18	18	36	45
<i>large kabuli</i>	n/a	n/a	n/a	n/a	n/a	n/a	n/a	16	16	33	41
<i>small</i>	n/a	n/a	n/a	n/a	n/a	n/a	n/a	2	2	3	4
Lentils	52	78	66	74	88	81	89	100	140	182	205
Total	866	961	1,015	1,004	878	752	998	814	916	1,197	1,340

Area and production data for fababeans are not available as it is a minor crop.

UNITED STATES: PULSE CROPS PRODUCTION

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006f
.....thousand tonnes.....											
Dry Peas	133	297	305	248	193	204	250	274	570	683	920
Dry Beans	1,218	1,314	1,360	1,468	1,139	815	1,322	1,001	780	1,186	1,130
<i>pinto</i>	540	495	658	491	484	396	584	473	354	594	n/a
<i>white pea</i>	265	251	176	331	216	105	240	114	97	179	n/a
<i>black</i>	62	96	162	153	61	36	141	57	85	82	n/a
<i>Great Northern</i>	101	102	99	112	113	95	70	101	43	72	n/a
<i>light red kidney</i>	46	73	51	63	61	35	54	50	37	50	n/a
<i>dark red kidney</i>	43	45	38	47	46	33	49	38	31	42	n/a
<i>small red</i>	18	40	30	41	14	8	27	26	27	41	n/a
<i>pink</i>	24	32	42	37	15	15	28	28	24	30	n/a
<i>cranberry</i>	23	30	17	26	20	7	16	9	8	7	n/a
Chickpeas	23	18	19	34	59	73	38	19	27	49	60
<i>large kabuli</i>	n/a	n/a	n/a	n/a	n/a	n/a	n/a	16	23	42	52
<i>small</i>	n/a	n/a	n/a	n/a	n/a	n/a	n/a	3	4	7	8
Lentils	55	109	88	108	137	131	117	111	190	234	270
Total	1,429	1,738	1,772	1,858	1,528	1,223	1,727	1,405	1,567	2,152	2,380

Note: Dry peas, lentils and small chickpeas were included under the loan program starting with the 2002 crop year.

n/a: not available

f: forecast AAFC, February 2006

Source: USDA, February 2006

decrease because of a return to normal abandonment, which is higher than in 2005, and lower trend yields. However, supply is expected to be similar to 2005-2006 due to higher carry-in stocks. The US share of world production is forecast to increase to about 8% for dry peas and 7% for lentils, but remain at about 6% for dry beans. Higher production is expected to result in increased

exports of dry peas, lentils and chickpeas in 2006, while dry bean exports are expected to remain stable.

For 2007, the seeded area for dry peas, lentils and small chickpeas is expected to increase further although the rate of growth will depend on expected net returns compared to alternative crops.

become experienced in growing them. They are also produced over a larger geographic area than before 2002, when these crops were first included under the loan program. Therefore, even if the area should drop, it would still be significantly higher than it was prior to 2002. The seeded area for dry beans and large chickpeas is expected to continue to be variable and depend on expected net returns relative to other crops, unless they are included in a future support program.

US per capita dry bean consumption has been trending downwards during the past ten years, ranging from a high of 7.8 pounds (lb), {3.55 kilograms (kg)} in 1999 to a low of 5.7 lb (2.59 kg) in 2004, but recovered to 6.0 lb (2.72 kg) in 2005. However, there are industry wide programs underway to promote dry beans, as well as other pulse crops, as healthy foods. These programs are expected to reverse the decline in per capita consumption and, when combined with population growth, food use of dry beans and other pulse crops is expected to increase. There are also efforts underway to promote dry peas as an ingredient in livestock rations. At the present time, the use of dry peas for

livestock feed is at an early stage of development. Therefore, there is a large growth potential. US exports of pulse crops will depend on the level of production and domestic use, but the US is expected to continue to be a significant player in world dry bean, dry pea and lentil trade. Imports will also depend on domestic production, but the volumes are not expected to change significantly.

US FARM SECURITY AND RURAL INVESTMENT ACT OF 2002 (FSRIA)

Under the FSRIA, dry peas, lentils and small chickpeas were, for the first time, included under the loan program. The loan rate provides a floor return because if the posted price is lower than the loan rate, the producer is eligible for a loan deficiency payment (LDP), or alternatively the producer can obtain a loan at the loan rate for up to nine months. If the price is lower than the loan rate, the producer can repay the loan at the lower price and keep the difference. The difference is called the marketing loan gain (MLG). However, most producers have chosen to take the LDP rather than taking the loan.

UNITED STATES: FOOD AID EXPORTS AND TOTAL EXPORTS

<i>fiscal year</i> <i>Oct. -Sep.</i>	2000 -2001	2001 -2002	2002 -2003	2003 -2004	2004 -2005	Average	Percent of total
.....thousand tonnes.....							
Dry Beans							
Food Aid Exports	44	42	94	84	36	60	19
Total Exports	383	311	323	279	246	308	
Dry Peas							
Food Aid Exports	52	28	67	91	121	72	46
Total Exports	88	96	117	151	324	155	
Lentils							
Food Aid Exports	50	78	61	44	110	69	71
Total Exports	78	115	90	91	110	97	

Note: The food aid may not be shipped in the fiscal year reported. Therefore, the average data is a better indication of the importance of food aid to total exports than data for individual years.

Source: Food Aid Exports: USDA Food Aid Reports;

Total Exports: USDA US Trade Internet System, February 2006.

UNITED STATES: PULSE CROPS IMPORTS AND EXPORTS

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
.....thousand tonnes.....										
Dry Peas										
Total Exports	116	98	127	100	90	102	94	118	179	361
Exports to Canada	7	8	9	9	10	17	35	33	25	66
Total Imports	34	39	35	31	28	30	34	40	49	54
Imports from Canada	29	34	29	24	22	23	26	29	37	43
Dry Beans										
Total Exports	357	370	503	392	351	335	314	305	272	273
Exports to Canada	11	13	18	45	30	21	24	30	17	30
Total Imports	51	59	51	70	89	136	180	152	154	147
Imports from Canada	31	34	28	40	62	98	113	107	103	85
Lentils										
Total Exports	56	51	54	74	78	97	102	94	83	160
Exports to Canada	1	1	2	8	4	1	3	2	4	4
Total Imports	8	15	14	9	8	10	11	13	16	14
Imports from Canada	5	12	11	6	4	5	5	8	10	7
Chickpeas										
Total Exports	7	5	11	20	34	29	23	15	12	21
Exports to Canada	1	1	1	1	3	7	8	4	3	4
Total Imports	13	14	12	12	12	11	12	10	14	10
Imports from Canada	1	1	1	2	3	3	5	4	7	4
Fababeans										
Total Exports	2.8	2.1	0.5	0.9	0.2	1.2	0.5	2.2	3.8	1.2
Exports to Canada	0.1	0.2	0.4	0.7	0.2	0.7	0.3	1.9	3.6	0.7
Total Imports	1.5	1.6	1.7	1.9	1.9	2.2	2.1	2.0	2.4	2.9
Imports from Canada	1.1	1.2	1.4	1.4	1.1	1.3	1.1	1.2	1.1	1.3

Source: USDA, February 2006

For later years, the seeded area will depend on the support programs available at that time, as well as expected net returns relative to alternative crops. However, dry peas, lentils and, to a lesser extent, small chickpeas are becoming established crops as producers

The FSRIA is scheduled to end with the 2007 crop year. However, the industry is lobbying for program continuation in the 2007 farm program legislation, which would start with the 2008 crop.

For the 2002 crop, the loan rate and the posted prices used to calculate the LDPs

and MLGs were based on No.1 grade, with discounts for lower grades. In 2003, the base grades used for the posted prices were lowered to feed grade for dry peas and No.3 grade for lentils and small chickpeas.

This change made it easier for dry peas, lentils and small chickpeas to qualify for LDPs and MLGs since the loan rates were not reduced and prices for the lower grades are lower than for No.1 grade. It also increased the level of LDPs and MLGs for these crops. Also in 2003, two regions for dry pea loan rates and posted prices were established to better reflect the prices received by producers; West Region (Arizona, California, Idaho, Nevada, New Mexico, Oregon, Utah and Washington) and the East Region (all other states, including Montana and North Dakota). For 2006, lentil

they were not eligible for payments. For the 2004 crop, dry peas and small chickpeas were eligible for payments throughout the year, while lentils became eligible late in the crop year. For the 2005 crop to date, dry peas, lentils and chickpeas were all eligible for payments. LDPs and MLGs account for a significant portion of the total price received by producers for the sale of the eligible crops, especially for dry peas. For example for the 2004 crop, LDPs and MLGs accounted for more than a quarter of the total price received by producers for dry peas.

Dry peas, lentils and small chickpeas are not eligible for direct payments or counter-cyclical support under FSRIA. However, these are based on historical seeded area and yields and are theoretically decoupled from production during the year of the payout.

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UNITED STATES: LOAN RATES FOR PULSE CROPS

	2002	2003	2004	2005	2006	2007
.....dollars per hundredweight (cwt).....						
National Average						
Lentils	11.94	11.94	11.72	11.72	11.72	11.72
Chickpeas	7.56	7.56	7.43	7.43	7.43	7.43
Dry Peas	6.33	6.33	6.22	6.22	6.22	6.22
West Region						
Dry Peas	6.33	6.68	6.63	6.61	6.63	n/a
Lentils					12.76	n/a
East Region						
Dry Peas	6.33	5.89	5.84	6.03	6.12	n/a
Lentils					11.36	n/a

n/a: not available

Source: USDA

UNITED STATES: LOAN PROGRAM FOR PULSE CROPS

Dry Peas	2002	2003	2004	2005*
Total LDP/MLG (thousands US\$)	0	14,059	32,199	8,027
Quantity Receiving LDP/MLG (kt)	0	240	612	154
% of Production	0	88	107	23
Average LDP/MLG (US\$/t)	0.00	58.58	52.61	52.12
Average LDP/MLG (US\$/cwt)	0.00	2.66	2.39	2.36
Average Market Price (US\$/cwt)	7.79	7.63	5.94	4.60
Average LDP/MLG (CAN\$/t)	0.00	78.37	65.32	61.35
Average LDP/MLG (CAN\$/bu)	0.00	2.13	1.78	1.67
Lentils				
Total LDP/MLG (thousands US\$)	2,375	0	644	1,940
Quantity Receiving LDP/MLG (kt)	86	0	38	55
% of Production	74	0	20	24
Average LDP/MLG (US\$/t)	27.62	0.00	16.95	35.27
Average LDP/MLG (US\$/cwt)	1.25	0.00	0.77	1.60
Average Market Price (US\$/cwt)	14.30	17.20	14.40	11.70
Average LDP/MLG (CAN\$/t)	41.29	0.00	21.04	41.52
Average LDP/MLG (CAN\$/lb)	1.87	0.00	0.95	1.88
Small Chickpeas				
Total LDP/MLG (thousands US\$)	0	113	151	183
Quantity Receiving LDP/MLG (kt)	0	3.3	3.2	4.84
% of Production	0	120	92	72
Average LDP/MLG (US\$/t)	0.00	34.50	47.66	37.88
Average LDP/MLG (US\$/cwt)	0.00	1.57	2.16	1.72
Average Market Price (US\$/cwt)	n/a	16.00	14.20	12.90
Average LDP/MLG (CAN\$/t)	0.00	46.16	59.18	44.59
Average LDP/MLG (CAN\$/lb)	0.00	2.09	2.68	2.02

LDP/MLG: Loan Deficiency Payment/Market Loan Gain

* to February 14, 2006

n/a: not available

Source: USDA

loan rates and posted prices were set by West and East region for the first time. The loan rates and posted prices in the West Region are higher than in the East Region, but since they are both proportionally higher the LDPs and MLGs are the same in both regions. For crop years 2004-2007, the national loan rates fell slightly for all three crops.

For the 2002 crop, LDP/MLGs were only paid for lentils. With the base grade changes in 2003, LDP/MLGs were paid for dry peas and small chickpeas, but the price of lentils rose sharply and

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Bi-weekly Bulletin

March 24, 2006 Volume 19 Number 5

CANADA: FARM FUEL AND FERTILIZER EXPENSES

World petroleum prices spiked in 2005 in response to geo-political risk and higher demand, resulting in much higher prices for farm fuel and fertilizer which will continue to affect farm production costs in 2006. This issue of the *Bi-weekly Bulletin* examines the situation and outlook for the farm fuel and fertilizer expenses in Canada.

For 2005-2006, the Canadian agricultural sector is looking at significant increases in machinery fuel and fertilizer costs. Fuel prices in Canada have reached record highs due to international political uncertainty and slow growth of crude oil supplies relative to the strong growth in international demand. This has been further exacerbated by Hurricane

Katrina, then Hurricane Rita, that damaged many United States (US) Gulf Coast oil refineries. Fertilizer prices have also increased sharply as a result of higher energy prices as well as tight supply/demand fundamentals.

Figure 1 shows the components of the 2004 Canadian farm operating expenses. Fuel and fertilizer costs

accounted for 14% of total Canadian farm expenses, representing \$4.2 billion- second only to feed expenses. In using the 2004 as the base year, for every one cent per liter increase in the fuel prices, Canadian farmers' machinery fuel bill was estimated to increase by about \$27 million annually. For fertilizers, every one cent per kilogram increase in their prices would add about \$67 million to the farmers' fertilizer bill. Obviously, the impact of rising fuel and fertilizer prices is significant for Canadian farmers.

Figure 1

CANADA: FARM OPERATING EXPENSES (2004)

Taxes	2.0%	\$0.6
Building Repairs	2.4%	\$0.7
Rent	4.7%	\$1.4
Utilities	4.8%	\$1.5
Other Livestock	6.0%	\$1.8
Machinery Repair	7.2%	\$2.2
Interest	7.5%	\$2.3
Misc. expenses	9.9%	\$3.0
Other Crop Inputs	12.5%	\$3.8
Farm Labour	12.8%	\$3.8
Fuel and Fertilizer	13.9%	\$4.2
Feed	16.3%	\$4.9

Total: \$30.1 billion

Source: Statistics Canada

FARM FUEL EXPENSES

Farm machinery fuel mainly includes diesel and gasoline. The prices of fuel are generally determined by the forces of supply and demand worldwide. As a small, open economy, Canada is a price taker, so for both diesel and gasoline, Canada does not make the markets.

Fuel Prices

While world oil demand is rising, driven by continued economic growth in the US, China and many other areas of the world, crude oil supplies and oil refineries struggle to keep the pace with the demand. Under these conditions, any disruption, such as Organization of the Petroleum Exporting Countries (OPEC) production decisions, hurricanes, Iraq post-war insurgency and other international political and economic uncertainty, could result in a spike in fuel prices.

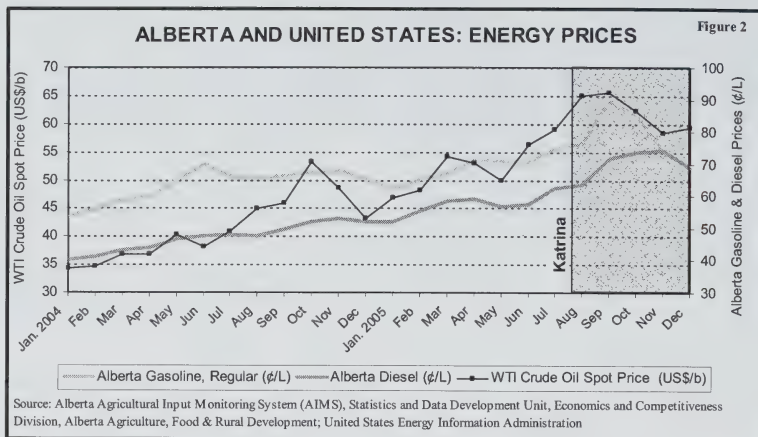
Figure 2 shows that the energy prices in the US and Alberta have increased strongly since 2005. The West Texas Intermediate (WTI) crude oil prices averaged US\$56.49 per barrel (b) in 2005, which was a 36% increase from the year before. Even before hurricanes Katrina and Rita hit the Gulf States, WTI crude oil prices increased by 26% from US\$46.84/b in January to US\$59/b in July. The Hurricanes disrupted production in the Gulf of Mexico and sent oil prices further higher in August and September.

The Canadian agricultural sector, which relies heavily on fuel to meet a variety of energy needs, was also subject to a substantial increase in prices following the US energy markets. Agriculture and Agri-Food Canada (AAFC) projected the prices for farm machinery fuel to rise by 27% at the Canada level in 2005. These 27% higher fuel prices would translate into about a \$430 million increase in Canadian farmers' machinery fuel bill for 2005.

Tight oil supplies, continued economic growth, limited excess oil production capacity and concerns about potential supply disruption are likely to result in higher and more volatile prices in 2006. The US Energy Information Administration (EIA) anticipated the price for WTI crude oil to average more than US\$63/b in 2006. Diesel prices were projected to show a 5.4% increase, while gasoline prices will likely continue to rise by about 6.2% in 2006. Similarly, after taking into account a strengthening Canadian dollar, AAFC expected farm machinery diesel and gasoline prices to trend upward by about 3.8% in 2006.

Farm Fuel Usage

However, with the rise in prices Canadian farmers don't buy as much fuel as when prices are lower. Figure 3 indicates a tight negative relationship between fuel price and fuel usage. The estimated correlation between them is -0.7, which is quite high. For example, fuel usage decreased by 8% when fuel prices increased by 31% in 2000, and fuel usage increased by 7% when fuel prices decreased by 17% in 2002.



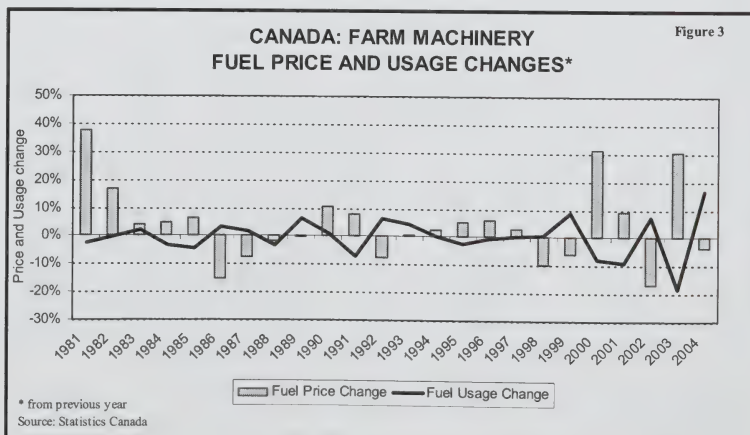
Elasticity is a measurement used by economists to gauge the responsiveness of demand to changes in price. Using 25 years historical data from Statistics Canada, the fuel price elasticity was estimated to be -0.35 at Canada level. This means that if fuel prices increased by 10%, farm machinery fuel usage should decrease by 3.3% at the Canada level. This might be supported by Canadian farming practices. For example, tillage probably uses more fuel per acre than almost any other field operation. Farmers could reduce tillage or the number of trips across the field by combining operations to save fuel, particularly when fuel prices are high.

In terms of the estimated fuel price elasticity and other factors such as seeded area change, AAFC projected

that Canadian farm machinery fuel usage should decrease by about 4.7% in 2005 and will be flat in 2006. When the price increase and quantity decrease were considered together, Canadian farm machinery fuel expenses were projected to reach \$2 billion, increasing by 21% in 2005 and continue to increase by 4.1% in 2006.

FARM FERTILIZER EXPENSES

Canada is a major fertilizer producing country, particularly for nitrogen and potash. Canada exports about 95% of its potash production and about one-half of its nitrogen products, mainly to the US. Canadian fertilizer production is primarily located in Alberta and Saskatchewan.



Major Fertilizer Sources

There are three types of major fertilizers: nitrogen, phosphate and

potash. Urea is a popular dry granular form of nitrogen fertilizer. The major phosphate fertilizers that are currently used in Canada are diammonium

phosphate (DAP) and monoammonium phosphate (MAP) which are produced from rock phosphate. The other major nutrient used in crop production is potash fertilizer. Most potash deposits in North America are found in Canada, especially, Saskatchewan.

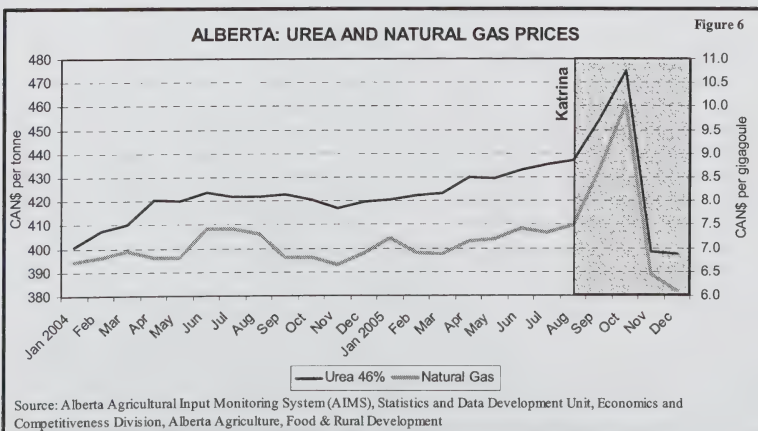
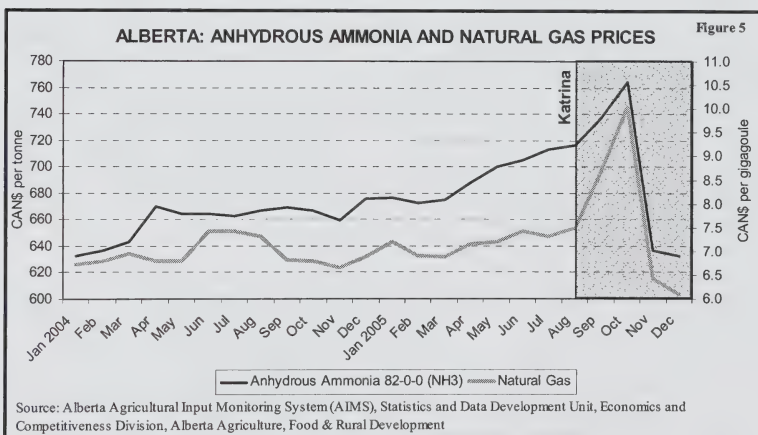
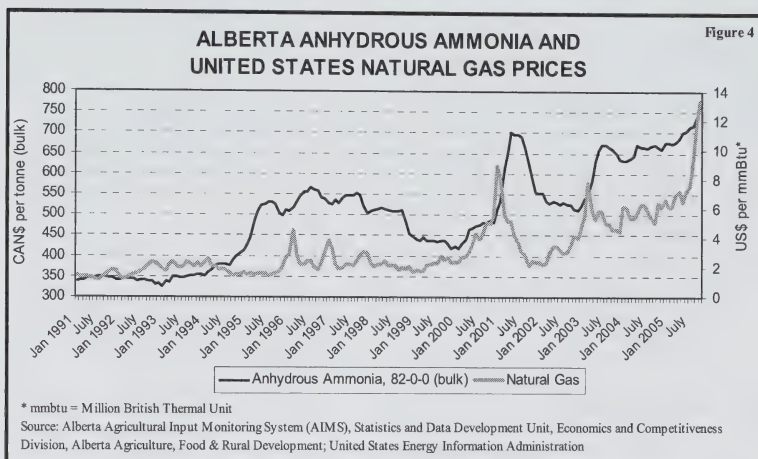
Nitrogen fertilizer is the major nutrient used in crop production by Canadian farmers. About 65% of the fertilizer used by the Western farmers and 54% of the fertilizer used by Eastern farmers is nitrogen fertilizer. Phosphate fertilizer accounts for 26% of total fertilizer usage in Western Canada, while potash fertilizer accounts for 24% of total usage in Eastern Canada which is mainly for soybean production. The remaining fertilizers account for a relatively smaller percentage of the total.

Fertilizer Prices and Natural Gas Prices

Anhydrous ammonia is the source of nearly all the nitrogen fertilizer produced in the world. The production of anhydrous ammonia involves: Air (N_2) + Natural Gas (CH_4) = Anhydrous ammonia (NH_3). Since air is free, the major cost of manufacturing anhydrous ammonia is associated with the cost of natural gas. The cost of natural gas is usually believed to account for 70-90% of the production cost of ammonia. Most other forms of nitrogen are produced using anhydrous ammonia. Therefore, nitrogen fertilizer prices are very much susceptible to changes of natural gas prices.

Figure 4 shows that fertilizer prices did generally follow the pattern of natural gas price changes.

The correlation between the price of natural gas and the price of fertilizer was estimated to be 0.72 based on 15 years of monthly data. It indicated that they were very closely tied together. Therefore, as natural gas prices went up, nitrogen fertilizer prices would increase in a similar fashion. This tight relationship, however, has not always held. In the mid-1990s strong fertilizer demand in combination with near-full industry capacity utilization kept fertilizer prices high despite low natural gas prices.



As *Figures 5 and 6* highlight more closely, fertilizer prices, following natural gas prices, trended up in Alberta over 2004-2005. The anhydrous ammonia price increased by 5.1% in 2005 mainly driven by higher natural gas prices that increased by 6.5%. The upward nitrogen price trend in 2005 was further exacerbated by the extensive damage to the US natural gas infrastructure caused by Hurricanes Katrina and Rita. The hurricanes sent the anhydrous ammonia price in Alberta to \$751 per tonne in September and October, rising by about 8.3% compared to the average price in January-August 2005. Since urea is commonly produced using anhydrous ammonia, the urea price followed the similar pattern.

Besides the natural gas price, the prices of gasoline and diesel also affect the price of fertilizer as fuel represents part of the cost of marketing fertilizer. Higher fuel prices increase the transportation component of fertilizer prices at the retail level. However, the price of fertilizer is much more dependent on the price of natural gas than the price of fuel.

As a world market commodity, fertilizer prices are also determined by the supply and demand factors in major markets around the world. Actually, increased global demand for fertilizer has played a large part in recent years

in placing upward pressure on fertilizer prices. Supply factors have also played a part in driving up fertilizer prices due to limited new global production capacity. *Figure 7* shows major fertilizer price levels as well as percentage changes compared to previous year for Ontario, Manitoba and Alberta in 2005. Overall, AAFC projected that fertilizer prices should increase by about 8% in 2005 and will probably continue to increase by about 2.8% in 2006. However, given high volatility of natural gas prices, it should be noted that fertilizer price increases could be stronger in 2006 if the natural gas prices exceed present projections.

Fertilizer Usage

Using 25 years historical data, the fertilizer price elasticity was estimated to be -0.34 at Canada. This means that historically a 10% increase in fertilizer prices resulted in a 3.2% decrease in use. In terms of estimated fertilizer price elasticity and other factors, fertilizer usage was projected to be down by 1.3% in 2005 and flat in 2006.

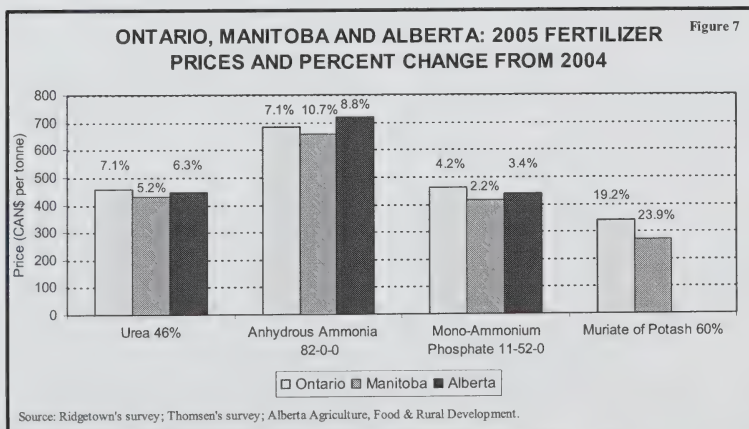
Farm fertilizer expenses include all costs associated with the purchase of fertilizer including spreading. In Canada, fertilizer expenses were projected to reach \$2.7 billion, increasing by 7% in 2005, and will continue to increase modestly in 2006 due to higher fertilizer prices.

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- (c) The Thomsen Corporation;
- (d) Statistics Canada;
- (e) United States Energy Information Administration



CANADA: GRAINS AND OILSEEDS OUTLOOK

March 27, 2006

For 2005-06, Canadian exports of grains and oilseeds (G&O) are forecast by AAFC to increase by 18% from 2004-05, to 27.9 million tonnes (Mt). However, G&O carry-out stocks are forecast to increase by 10% to a record 18.0 Mt, largely due to burdensome stocks of durum and canola. Prices are expected to decline from 2004-05 for wheat and oilseeds, increase for oats, and be similar for barley and corn.

For 2006-07, Canadian farmers are expected to increase the areas seeded to non-durum wheat, oats, barley and corn, while reducing areas of durum, canola, flaxseed and soybeans. Trend yields are assumed for both western and eastern Canada, as soil moisture reserves are generally good. Total G&O production is forecast by AAFC to decline by 3% due to lower trend yields, but total supply is projected to increase slightly due to the larger carry-in stocks. Exports are forecast to increase by 2% to 28.5 Mt, with carry-out stocks projected to fall by 11% to 16.1 Mt. The price changes for wheat and durum, compared to 2005-06, are mixed, depending on the grade and protein content. Prices for oilseeds and oats are forecast to decline, while prices for barley and corn are expected to strengthen. Prices will continue to be pressured by the strong Canadian dollar. The market outlook is very tentative due to the high degree of uncertainty regarding global supply and demand conditions. In addition, trade policy factors, such as the anti-dumping and countervail (AD/CV) duties currently in place on imports of unprocessed grain corn from the US, also affect the outlook. The other major factors to watch are: US winter wheat conditions, winterkill in Russia and Ukraine, import demand from China, EU export subsidies and the Canada/US exchange rate.

WHEAT (ex durum)

For 2005-06, exports are forecast to rise by 14% from 2004-05 due to increased supplies of milling quality wheat. Feed use is expected to decline slightly but remain higher than normal. Carry-out stocks are forecast to decline marginally. The Canadian Wheat Board (CWB) March Pool Return Outlook (PRO) has declined and is below the 2004-05 final realized price.

For 2006-07, production is forecast to rise by 8%, with increased seeded area partially offset by lower yields. Industrial use is expected to rise sharply, as new ethanol plants come on-line in western Canada. Exports are forecast to increase by 8%, assuming a normal quality crop. Carry-out stocks are projected to increase slightly. The CWB 2006-07 Pool Return Outlook (PRO) for No.1 CWSR 11.5% protein is \$182/t, in-store Vancouver/ St. Lawrence (I/S VC/SL), \$4/t below 2005-06.

DURUM

For 2005-06, total supply reached a record 8.4 Mt. Exports are expected to increase by 24%, but carry out stocks are projected to rise by over 30% to a record 3.3 Mt. The CWB is not expected to be able to accept all deliveries offered by farmers. The CWB PRO is well below the 2004-05 final realized price.

For 2006-07, production is forecast to fall by 27% due to lower seeded area and yields. However, total supply will decline by only 10% because of the larger carry-in stocks. Exports are forecast to decline by 10%, assuming normal yields in the EU and North Africa. Carry-out stocks are forecast to fall by 12% to 2.9 Mt. The CWB PRO for No.1 CWAD 11.5% protein is \$176/t, I/S VC/SL, down \$1/t from 2005-06. The discount for No.1 CWAD 11.5% over No.1 CWSR 11.5% is projected at \$6/t, vs. \$9/t in 2005-06.

BARLEY

For 2005-06, exports are forecast to increase by 34%, due mainly to higher exports of feed barley. Carry-out stocks are forecast to decrease by 11%, but will be high historically.

For 2006-07, production is forecast to rise slightly, as lower yields are more than offset by larger area, but total supply is projected to rise only marginally

due to lower carry-in stocks. Exports are expected to fall, as higher exports of malting barley only partially offset lower exports of feed barley. Carry-out stocks are projected to drop significantly due to higher feed use. The average off-Board feed barley price is forecast to rise by \$15/t. The CWB 2006-07 PRO for 2-Row and 6 Row designated barley is lower than 2005-06.

OATS

For 2005-06, exports are forecast to increase due to less competition from the EU. Carry-out stocks are projected to decrease by 9%.

For 2006-07, production is forecast to rise by 17%, due to higher area. Exports are forecast to be flat at 1.7 Mt. Although feed use is expected to increase significantly, carry-out stocks are expected to rise by 11%. Chicago prices are forecast to decrease by C\$15/t from 2005-06 to \$125/t.

CORN

For 2005-06, imports are forecast to fall significantly, due to higher domestic supplies and the AD/CV duties. Carry-out stocks are expected to decline by 17%. Corn prices in eastern Canada are expected to be similar to 2004-05, as supports from the AD/CV duties are offset by higher domestic supply.

For 2006-07, the forecasts are very tentative, depending on the final injury decision of the Canadian International Trade Tribunal on April 18, 2006. Corn production is forecast to fall by 5%, as lower yields more than offset higher area. Imports are forecast to increase due to lower domestic supplies and higher demand for ethanol production. Carry-out stocks are forecast to drop by 33%. The average price at Chatham elevator is forecast to rise by 30% to \$130/t.

CANOLA

For 2005-06, total supply is expected to reach a record 11.4 Mt. Exports are forecast to increase by 32%, to 4.5 Mt, while domestic crush rises by 9%, to 3.3 Mt. Carry-out stocks are forecast to rise sharply to a record 3.0 Mt. Prices are expected to decline by about 15%.

For 2006-07, production is forecast to decline by 19% due to lower seeded area and yields. Total

supply is expected to decline by about 4%, as the record carry-in stocks offset much of the decline in output. Exports and domestic crush are forecast to remain stable at a record high level. Carry-out stocks are forecast to decline by 10% but will be the second highest on record. Canola prices are forecast to decline slightly.

FLAXSEED (excluding solin)

For 2005-06, exports are forecast to rise slightly, due to the significant increase in supply and high crude oil prices. Carry-out stocks are expected to rise sharply. The average price is forecast to decline from the above normal level in 2004-05. For 2006-07, production is forecast to decline by 12% due to lower seeded area and yields, but supply is forecast to increase by 19% due to high carry-in stocks. Exports are forecast to increase to 0.7 Mt, while domestic usage remains stable. Carry-out stocks are projected to rise by 6%, while prices decrease slightly.

SOYBEANS

For 2005-06, total supply is expected to be a record 3.7 Mt. Exports are forecast at a record high 1.15 Mt, while the domestic crush is expected to be a near record 1.75 Mt. Carry-out stocks are expected to decline with prices falling under pressure from lower US prices and the rising Canadian dollar.

For 2006-07, production is forecast to fall due to lower seeded area and yields. Total supply is forecast to fall by only 4%, as higher imports largely offset the drop in output. Exports and domestic crush are forecast to remain stable at record high levels. Carry-out stocks are forecast to decline although prices decline.

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CANADA: GRAINS AND OILSEEDS SUPPLY AND DISPOSITION

March 27, 2006

Grain and Crop Year (a)	Area Seeded thousand ha	Area Harvested thousand ha	Yield t/ha	Production	Imports (b)	Total Supply	Exports (c)	Food & Industrial Use (e)	Feed, Waste & Dockage	Total Domestic Use (d)	Carry-out Stocks	Average Price (f) \$/t
thousand metric tonnes												
Durum												
2004-2005	2,230	2,141	2.32	4,962	1	6,752	3,218	254	536	1,013	2,521	201
2005-2006F	2,341	2,297	2.58	5,915	1	8,436	4,000	255	681	1,136	3,300	177*
2006-2007F	1,960	1,910	2.25	4,300	1	7,601	3,600	260	630	1,101	2,900	176*
Wheat Except Durum												
2004-2005	8,169	7,722	2.71	20,898	13	25,203	11,593	2,845	4,521	8,138	5,471	190
2005-2006F	7,784	7,530	2.77	20,860	15	26,347	13,200	2,885	3,985	7,747	5,400	186*
2006-2007F	8,863	8,650	2.60	22,500	15	27,915	14,200	3,150	4,159	8,115	5,600	182*
All Wheat												
2004-2005	10,399	9,862	2.62	25,860	14	31,955	14,812	3,099	5,056	9,151	7,992	
2005-2006F	10,125	9,826	2.72	26,775	16	34,783	17,200	3,140	4,666	8,883	8,700	
2006-2007F	10,823	10,560	2.54	26,800	16	35,516	17,800	3,410	4,789	9,216	8,500	
Barley												
2004-2005	4,678	4,050	3.26	13,186	83	15,371	1,863	268	9,358	10,019	3,489	112
2005-2006F	4,440	3,889	3.21	12,481	35	16,005	2,500	260	9,740	10,405	3,100	100-120
2006-2007F	4,815	4,210	3.06	12,900	30	16,030	2,300	300	10,785	11,530	2,200	115-135
Corn												
2004-2005	1,185	1,072	8.24	8,837	2,422	12,401	242	2,395	7,951	10,358	1,802	100
2005-2006F	1,124	1,096	8.63	9,461	1,400	12,662	200	2,450	8,497	10,962	1,500	90-110
2006-2007F	1,170	1,130	7.96	9,000	1,900	12,400	150	3,050	8,185	11,250	1,000	120-140
Oats												
2004-2005	1,995	1,315	2.80	3,683	26	4,497	1,675	118	1,560	1,834	988	131
2005-2006F	1,853	1,326	2.59	3,432	15	4,435	1,700	140	1,525	1,835	900	130-150
2006-2007F	2,136	1,550	2.58	4,000	15	4,915	1,700	140	1,900	2,215	1,000	115-135
Rye												
2004-2005	284	165	2.53	418	1	487	122	48	155	220	145	69
2005-2006F	223	148	2.42	359	1	505	150	48	170	235	120	65-85
2006-2007F	207	150	2.33	350	1	471	150	48	176	241	80	75-95
Mixed Grains												
2004-2005	220	111	2.87	318	0	318	0	0	318	318	0	
2005-2006F	209	109	2.78	303	0	303	0	0	303	303	0	
2006-2007F	215	115	2.87	330	0	330	0	0	330	330	0	
Total Coarse Grains												
2004-2005	8,362	6,713	3.94	26,442	2,531	33,074	3,902	2,828	19,342	22,749	6,424	
2005-2006F	7,850	6,568	3.96	26,036	1,451	33,911	4,550	2,898	20,236	23,741	5,620	
2006-2007F	8,542	7,155	3.71	26,580	1,946	34,146	4,300	3,538	21,376	25,566	4,280	
Canola												
2004-2005	5,319	4,938	1.57	7,728	108	8,444	3,412	3,031	328	3,403	1,629	309
2005-2006F	5,491	5,253	1.84	9,660	125	11,415	4,500	3,300	570	3,915	3,000	250-290
2006-2007F	5,053	4,890	1.60	7,800	150	10,950	4,500	3,300	405	3,750	2,700	235-275
Flaxseed												
2004-2005	728	528	0.98	517	39	648	468	n/a	n/a	151	30	n/a
2005-2006F	842	803	1.35	1,082	35	1,147	500	n/a	n/a	247	400	255-295
2006-2007F	805	782	1.21	950	20	1,370	700	n/a	n/a	245	425	245-285
Soybeans												
2004-2005	1,229	1,178	2.59	3,048	393	3,581	1,122	1,610	457	2,190	270	248
2005-2006F	1,176	1,169	2.70	3,161	250	3,681	1,150	1,750	421	2,281	250	205-245
2006-2007F	1,144	1,125	2.53	2,850	450	3,550	1,150	1,750	400	2,250	150	195-235
Total Oilseeds												
2004-2005	7,277	6,643	1.70	11,293	540	12,674	5,002	n/a	n/a	5,743	1,929	
2005-2006F	7,510	7,225	1.92	13,904	410	16,243	6,150	n/a	n/a	6,443	3,650	
2006-2007F	7,002	6,797	1.71	11,600	620	15,870	6,350	n/a	n/a	6,245	3,275	
Total Grains And Oilseeds												
2004-2005	26,038	23,219	2.74	63,596	3,085	77,703	23,715	n/a	n/a	37,643	16,345	
2005-2006F	25,484	23,620	2.82	66,715	1,877	84,936	27,900	n/a	n/a	39,066	17,970	
2006-2007F	26,367	24,512	2.65	64,980	2,582	85,532	28,450	n/a	n/a	41,027	16,055	

(a) August - July crop year except corn and soybeans which are September - August.

(b) Excludes imports of products. (c) Includes exports of products for wheat, oats, barley, and rye. Excludes exports of oilseed products.

(d) Total Domestic Use = Food and Industrial Use + Feed Waste & Dockage + Seed Use

(e) Soybean food and industrial use is based on data from the Canadian Oilseed Processors Association. Total excludes flaxseed due to data confidentiality.

(f) Crop year average prices: No.1 CWRS 11.5% protein and No.1 CWAD 11.5% (CWB final price I/S St. Lawrence/Vancouver), Barley (No. 1 feed, WCE, cash, I/S Lethbridge), Corn (No.2 CE, cash, I/S Chatham), Oats (US No. 2 Heavy, CBoT nearby futures); Rye (No.2 Canada, Elevator bids at select western delivery points); Canola (No. 1 Canada, WCE, cash, I/S Vancouver); Flaxseed (No. 1 CW, WCE, cash, I/S Thunder Bay); Soybeans (No. 2, I/S Chatham).

* Canadian Wheat Board Pool Return Outlook - March 23, 2006



CANADA: PULSE AND SPECIAL CROPS OUTLOOK

March 27, 2006

For 2005-06, total Canadian exports, domestic use and carry-out stocks of pulse and special crops are forecast to increase due to higher supply. Average prices, over all types, grades and markets are forecast to increase for chickpeas and buckwheat, but decrease for dry peas, lentils, dry beans, mustard seed, canary seed and sunflower seed.

For 2006-07, total area seeded to pulse and special crops in Canada is forecast to decrease by 3%, from 2005-06, as increases for dry peas, chickpeas, sunflower seed and buckwheat are more than offset by decreases for lentils, dry beans, mustard seed and canary seed. It is assumed that precipitation will be normal for the growing and harvest periods, and that the abandonment rate and quality will be normal. Trend yields are assumed for both western and eastern Canada, as soil moisture reserves are generally good. Total production in Canada is forecast to decrease by 10%, from 2005-06, to 4.79 million tonnes (Mt). Total supply is expected to decrease by 6% to 6.36 Mt, as higher carry-in stocks offset most of the decrease in production. Exports are forecast to decrease due to lower supply, while domestic use is forecast to be relatively stable. Carry-out stocks are expected to decrease. Average prices, over all types, grades and markets, are forecast to increase for dry peas, mustard seed and canary seed, decrease for dry beans and chickpeas, and be the same for lentils, sunflower seed and buckwheat. The main factors to watch are weather conditions, especially precipitation, during the growing and harvest periods in Canada. Other factors to watch are the exchange rates of the Canadian dollar against the US dollar and other currencies, ocean shipping rates and growing conditions in major producing regions, especially India, Mexico, United States, European Union, Turkey and Australia.

DRY PEAS

For 2005-06, due to higher supply, lower prices and stronger demand, exports are forecast to increase sharply from 2004-05. The average price, over all types, grades and markets, is forecast to decrease because of higher supply. Carry-out stocks are expected to decrease, with a stocks-to-use ratio (s/u) of 12%.

For 2006-07, the area seeded is forecast to increase by 3% from 2005-06. Production and supply are forecast to decrease, as lower trend yields more than offset the increase in seeded area. World supply is expected to decrease marginally to 12.5 Mt as slightly higher production is more than offset by lower carry-in stocks. Canadian exports are forecast to decrease because of the lower supply, while domestic use increases marginally. Carry-out stocks are forecast to decrease, with a s/u of 10%. The average price is expected to be slightly higher than in 2005-06 due to the lower supply.

LENTILS

For 2005-06, due to higher production and supply, lower prices and higher demand, exports are forecast to increase sharply. The average price, over all types and grades, is expected to decrease because of higher supply. Carry-out stocks are forecast to increase, with a s/u of 61%.

For 2006-07, the area seeded is forecast to decrease by 10%. Production is forecast to decrease sharply due to lower seeded area and lower trend yields, but supply is expected to decrease only marginally because of higher carry-in stocks. Production is expected to decrease for green lentils, but increase for red lentils. World supply is forecast to increase marginally to 4.64 Mt. Canadian exports are expected to increase due to higher Canadian supply of red lentils and carry-out stocks are forecast to decrease slightly, with a s/u of 58%. The average price is forecast to be the same as in 2005-06 because of the relatively stable supply.

DRY BEANS

For 2005-06, production and supply increased significantly in Canada and the US. Canadian exports are forecast to increase because of higher supply. Carry-out stocks are forecast to increase, with a s/u of 7%. The average price, over all classes and grades, is forecast to decrease due to higher US and Canadian supply.

For 2006-07, the area seeded is forecast to decrease by 10%. Production and supply are expected to increase, as a lower area is more than offset by lower abandonment and higher trend yields. In the US, production is expected to decrease by 5% to 1.13 Mt, while supply increases slightly to 1.36 Mt due to higher carry-in stocks. Canadian exports are forecast to increase due to the higher supply. Carry-out stocks are expected to increase, with a s/u of 8%. The average price is forecast to decrease slightly because of the slightly higher US and Canadian supply.

CHICKPEAS

For 2005-06, due to higher production and supply, exports are forecast to increase. The average price, over all types and grades, is forecast to increase, due to higher quality, stronger demand and a shift to the production of the higher priced kabuli type. Carry-out stocks are expected to increase, with a s/u of 10%. For 2006-07, the area seeded is forecast to increase by 50%. Production and supply are expected to increase, as higher area more than offsets lower trend yields. World supply is expected to decrease marginally to 9.25 Mt. Although Canadian exports are forecast to increase due to strong demand, carry-out stocks are expected to rise, with a s/u of 21%. The average price is forecast to decrease due to higher world supply of the kabuli type, which accounts for about 90% of Canadian production.

MUSTARD SEED

For 2005-06, due to stronger demand, exports are forecast to increase. Carry-out stocks are expected to decrease slightly, with a s/u of 88%. The average price, over all types and grades, is forecast to decrease because of the higher supply of high quality seed.

For 2006-07, the area seeded is expected to decrease by 20%. Production and supply are forecast to decrease because of lower seeded area and lower trend yields. Exports are expected to rise due to higher demand and carry-out stocks are forecast to decrease, with a s/u of 53%. The average price is expected to increase due to the lower supply.

CANARY SEED

For 2005-06, due to stronger demand and lower prices, exports are forecast to increase. Carry-out stocks are expected to rise, with a s/u ratio of 88%.

The average price is forecast to decrease due to higher supply.

For 2006-07, the area seeded is expected to decrease by 20%. Production and supply are forecast to decrease due to lower area and lower trend yields. World supply is forecast to decrease by 15% to 370,000 t. Canadian exports are expected to increase due to higher demand and carry-out stocks are forecast to decrease, with a s/u of 50%. The average price is forecast to increase because of the lower supply.

SUNFLOWER SEED

For 2005-06, due to higher production and supply, exports and domestic use are expected to increase. Carry-out stocks are forecast to increase, with a s/u of 13%. The average price, over both types and all grades, is forecast to decrease due to higher supply. For 2006-07, the area seeded is expected to increase by 5%. Production and supply are forecast to increase due to higher area, lower abandonment and higher trend yields. US supply is expected to decrease by 8% to 1.76 Mt. World supply is forecast to decrease slightly to 30.4 Mt. Canadian exports are forecast to increase because of the higher supply. Carry-out stocks are expected to increase, with a s/u of 13%. The average price is forecast to be the same as in 2005-06, as pressure from higher Canadian supply is offset by support from lower US supply.

BUCKWHEAT

For 2005-06, the average price is forecast to increase slightly.

For 2006-06, Canadian production and supply are forecast to remain stable, as a higher seeded area is offset by lower trend yields. The average price is expected to be the same as in 2005-06.

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CANADA: PULSE AND SPECIAL CROPS SUPPLY AND DISPOSITION

March 27, 2006

Grain and Crop Year (a)	Area Seeded thousand ha	Area Harvested thousand ha	Yield t/ha	Production	Imports (b)	Total Supply thousand metric tonnes	Exports (b)	Total Domestic Use (d)	Carry-out Stocks	Average Price (e) \$/t
Dry Peas										
2002-2003	1,297	1,050	1.30	1,365	41	1,681	626	745	310	210
2003-2004	1,303	1,271	1.67	2,124	24	2,458	1,316	937	205	175
2004-2005	1,388	1,345	2.48	3,338	56	3,599	1,853	1,151	595	135
2005-2006f	1,366	1,319	2.35	3,100	90	3,785	2,200	1,185	400	105-135
2006-2007f	1,405	1,357	2.17	2,950	100	3,450	1,950	1,200	300	110-140
Lentils										
2002-2003	601	387	0.91	354	9	494	319	120	55	390
2003-2004	554	536	0.97	520	5	580	367	175	38	420
2004-2005	778	750	1.28	962	10	1,010	451	314	245	310
2005-2006f	884	862	1.48	1,278	10	1,533	635	318	580	225-255
2006-2007f	795	755	1.23	930	10	1,520	660	300	560	225-255
Dry Beans										
2002-2003	230	219	1.89	414	40	489	298	96	95	445
2003-2004	167	167	2.13	356	31	482	344	83	55	495
2004-2005	163	126	1.75	220	28	303	277	21	5	650
2005-2006f	200	177	1.84	326	40	371	300	46	25	485-515
2006-2007f	180	177	1.95	345	30	400	315	55	30	475-505
Chickpeas										
2002-2003	221	154	1.01	156	9	345	105	160	80	300
2003-2004	63	63	1.08	68	2	150	74	51	25	330
2004-2005	47	39	1.31	51	4	80	47	28	5	385
2005-2006f	79	73	1.42	104	5	114	70	34	10	465-495
2006-2007f	119	109	1.19	130	5	145	85	35	25	400-430
Mustard Seed										
2002-2003	289	255	0.60	154	9	196	114	22	60	595
2003-2004	340	328	0.69	226	2	288	121	75	92	390
2004-2005	317	304	1.01	306	1	399	119	86	194	295
2005-2006f	212	206	0.98	201	1	396	130	81	185	255-285
2006-2007f	170	164	0.88	145	1	331	140	76	115	275-305
Canary Seed										
2002-2003	287	227	0.78	176	0	206	160	26	20	575
2003-2004	251	243	0.93	226	0	246	165	14	67	345
2004-2005	356	318	0.95	301	0	368	163	35	170	230
2005-2006f	190	186	1.22	227	0	397	175	37	185	170-200
2006-2007f	152	145	1.00	145	0	330	180	40	110	190-220
Sunflower Seed										
2002-2003	100	95	1.65	157	21	200	105	60	35	440
2003-2004	119	115	1.30	150	16	201	96	80	25	405
2004-2005	87	59	0.92	54	35	114	32	64	18	490
2005-2006f	93	75	1.19	89	25	132	45	72	15	330-360
2006-2007f	98	92	1.47	135	20	170	75	75	20	330-360
Buckwheat										
2002-2003	12	12	1.00	12	1	16	6	7	3	340
2003-2004	9	9	1.11	10	1	14	5	7	2	355
2004-2005	9	7	0.71	5	1	8	4	4	0	355
2005-2006f	7	6	1.33	8	1	9	4	5	0	345-375
2006-2007f	8	7	1.14	8	1	9	4	5	0	345-375
Total Pulse And Special Crops (c)										
2002-2003	3,036	2,399	1.16	2,788	130	3,627	1,733	1,236	658	
2003-2004	2,805	2,732	1.35	3,680	81	4,419	2,488	1,422	509	
2004-2005	3,145	2,948	1.78	5,237	135	5,881	2,946	1,703	1,232	
2005-2006f	3,031	2,904	1.84	5,333	172	6,737	3,559	1,778	1,400	
2006-2007f	2,927	2,806	1.71	4,788	167	6,355	3,409	1,786	1,160	

(a) August-July crop year.

(b) Excludes products.

(c) Includes Pulse Crops (dry peas, lentils, dry beans, chick peas) and Special Crops (mustard seed, canary seed, sunflower seed, buckwheat)

(d) Includes food, feed, seed, waste and dockage. Total domestic use is calculated residually.

(e) Producer price, FOB plant. Average over all types, grades and markets.

f: forecast, Agriculture and Agri-Food Canada, March 27, 2006

Source: Statistics Canada and industry consultations.

A. SELLING PRICE OF BULK FEED INGREDIENTS AT SELECTED POINTS

March 6, 2006

SELECTED POINT	REFERENCE PERIOD	PRICE BASIS	(1) WHEAT	OATS	BARLEY	CORN	PRICE BASIS	SOYBEAN MEAL	CANOLA MEAL	MILL FEEDS	MEAT MEAL	FISH MEAL	ANIMAL FAT	GLUTEN MEAL	GLUTEN FEED	FEED PEAS	DEHY ALFALFA	FEATHER MEAL
Vancouver BC (4) (7)	March 6, 2006	FOB	133.00	N/A	134.00	212.00		251.50	152.00	100.00		925.00	440.00					375.00
Calgary AB (4)	February 27, 2006	FOB	133.00	N/A	135.00	215.65		253.65	158.50	100.00		925.00	450.00					375.00
Saskatoon SK (4)	March 6, 2006	FOB	102.00	N/A	104.00	164.00		252.00				1000.00	460.00					380.00
Winnipeg MB (4) (9)	February 27, 2006	FOB	98.50	130.00	86.00	147.00		254.00	N/A		125.00	N/A	460.00			117.33		380.00
Thunder Bay ON (8)	February 27, 2006	FOB	141.00	130.00	93.50	142.00		254.50	N/A		125.00	N/A	460.00			115.33		410.00
Lake Ports USA (3)	February 27, 2006	FOB	140.00	140.00	111.00	136.00		235.50	N/A		265.00	1062.50	525.00					370.00
Bay Ports ON	March 6, 2006	In-Store	117.50	N/A	108.50			236.00	N/A		265.00	1042.50	525.00					370.00
Chatham ON	February 27, 2006	On Board	117.50	N/A	104.30													
Toronto ON (5)	March 6, 2006	Vessel				109.27												
Hamilton ON	February 27, 2006	In-Store	147.25	200.00	137.00	110.53												
Eastern ON	February 27, 2006	Track	151.50	200.00	137.00													
London ON	March 6, 2006	N/A				117.32												
Port Colborne ON	February 27, 2006	N/A				116.02												
Cardinal ON	February 27, 2006	FOB																
Montreal QC (5)	February 27, 2006	FOB	155.00	150.00	145.00	132.00		261.79	191.80	88.33	175.00	850.00	412.50	425.00	114.00		270.00	320.00
Trois-Rivières QC	February 27, 2006	In-Store	152.00	150.00	145.00	132.00		265.58	197.20	83.33	180.00	850.00	422.00	425.00	114.00		270.00	320.00
St. Jean QC (2)	March 6, 2006	FOB	151.80		152.00	N/A												
St. Hyacinthe QC	February 27, 2006	FOB	144.50	133.50	132.13	124.57		261.63										
Quebec QC	March 6, 2006	In-Store	143.70	134.75	131.33	124.33		259.28										
Truro NS	February 27, 2006	Track	153.33	N/A	162.46	137.38		253.92	197.67									
NS	March 6, 2006	Water	181.75	145.00	172.30	166.49		256.16	194.40									
Truro NS	February 27, 2006	Water	181.40	145.00	172.30	166.28		291.22	212.16									
NS	March 6, 2006	Truck	167.45	N/A	N/A	177.65		292.36	212.16									
Halifax NS (6)	February 27, 2006	In-Store	165.95	N/A	N/A	176.60		312.90	238.65	297.50								

US\$1.00 = CANS 1.1352

Closing date Mar. 03/2006

Source: Market Analysis Division, Agriculture and Agri-Food Canada; Thunder Bay prices are based on the Winnipeg Commodity Exchange (WCE) market close

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N/A = not available

Footnotes: All prices in Canadian dollars per metric tonne based on survey respondents.

Grain grades (unless otherwise specified) are: Western or Eastern Feed Wheat. Feed Oats. No.1 Canada Western or Eastern Barley. No.2 Canada Yellow Corn. No.3 US Yellow Corn. Soybean Meal 48 % Protein. Canola Meal based on minimum standard of 35% Protein. Fish Meal: white fish and/or herring meal. Gluten Meal 60% Protein. Gluten Feed 21% Protein.

(1) Wheat 3CWRS (2) Canadian Corn #3 or #2 (3) US Corn (4) Fish Meal from West Coast 63% Protein (5) Fish Meal 60% Protein (6) Herring Fish Meal (7) Fraser Valley (8) Wheat & Barley (Basis - Cash Price WCE) (9) Oats 3CW

B. CASH PRICES AND REPLACEMENT VALUES**March 6, 2006****PRAIRIE GRAINS**

Selected Points	Price Basis		This week 6-Mar-06	Last week 20-Feb-06	Month ago 6-Feb-06	Year Ago 7-Mar-05
From: Thunder Bay(WCE) (2)	In-Store	Wheat	118.00	118.00	124.00	101.00
(CBOT)		Oat	189.25	192.00	202.00	154.20
(Lethbridge)		Barley	106.00	104.00	107.00	110.50
To: Bayport, ON (1)	In-store	Wheat	141.61	141.61	147.61	124.61
		Oat	N/A	N/A	N/A	N/A
		Barley	133.39	131.39	134.39	137.89
Montreal, QC (1)	In-store	Wheat	146.03	146.03	152.03	129.03
		Oat	N/A	N/A	N/A	N/A
		Barley	138.31	136.31	139.31	142.81
Moncton, NB	Truck via Halifax	Wheat	168.25	168.25	174.25	151.25
		Oat	N/A	N/A	N/A	N/A
		Barley	162.50	160.50	163.50	167.00
Truro, NS	Truck via Halifax	Wheat	162.22	162.22	168.22	145.22
		Oat	N/A	N/A	N/A	N/A
		Barley	160.00	158.00	161.00	164.50
Halifax, NS (1)	In-store	Wheat	153.28	153.28	159.28	136.28
		Oat	N/A	N/A	N/A	N/A
		Barley	146.30	144.30	147.30	150.80
Stephenville, NL	Track / Truck via Sydney	Wheat	216.63	216.63	222.63	199.63
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A
Melfort, SK		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Bayport, ON		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Montreal, QC		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Moncton, NB		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Truro, NS		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track / Truck via Sydney	Barley	N/A	N/A	N/A	N/A
Stephenville, NL		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A

Selected Points	Price Basis		This week 6-Mar-06	Last week 20-Feb-06	Month Ago 6-Feb-06	Year Ago 7-Mar-05
Corn						
From: US Lake Port	On Board Vessel		109.27	106.37	103.08	102.39
To: Montreal, QC (1)	In-store		128.31	125.41	122.12	121.43
From: Chicago (IL)	Track		104.80	105.01	103.98	108.21
To: Montreal, QC	Track		133.66	133.87	132.84	137.07
From: Chatham, ON	Track		117.32	117.03	119.01	110.28
To: Montreal, QC	Track		141.19	140.90	142.88	134.15

Soymeal 48% Protein

From: Hamilton, ON			257.50	268.19	266.76	272.27
To: Montreal, QC	Track		281.83	292.52	291.09	296.60
Moncton, NB	Track		300.58	311.27	309.84	315.35
Truro, NS	Track		303.80	314.49	313.06	318.57
Stephenville, NL	Track / Truck via Sydney		352.43	363.12	361.69	367.20

1. Prices include ONE month of storage and interest charges n/a = not available

2. Thunder Bay prices are based on the Winnipeg Commodities Exchange market close (Cash price)

Source: Market Analysis Division, Agriculture and Agri-Food Canada**Contact: Corinne Bruneau: Statistical Clerk (204) 983-0581 Fax: (204) 983-5524 e-mail: bruneauc@agr.gc.ca****Footnotes:** All prices quoted in Canadian dollars per metric tonne.

Grain grades (unless otherwise specified) are: Canada Western Feed Wheat, Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn.

Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec.

Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable



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MEXICO

Trade between Canada and Mexico has increased significantly since the implementation of the *North American Free Trade Agreement* (NAFTA) between the United States (US), Canada and Mexico in 1994. Mexico has become Canada's fourth largest agriculture and agri-food export market and Canada is now the third largest market for Mexico's exports. For 2004-2005, Canadian agri-food exports to Mexico were CAN\$995 million versus imports from Mexico of CAN\$635 million. This issue of the *Bi-weekly Bulletin* examines the situation and outlook for Canada's exports of grains, oilseeds, pulses and special crops to Mexico.

Mexico has the sixth largest agricultural sector in the Organisation for Economic Co-operation and Development (OECD), which it joined in 1994. Corn and beef are

its main agricultural commodities. Primary agriculture still accounts for 6% of Gross Domestic Product (GDP), compared to 2% in Canada and the US. More importantly

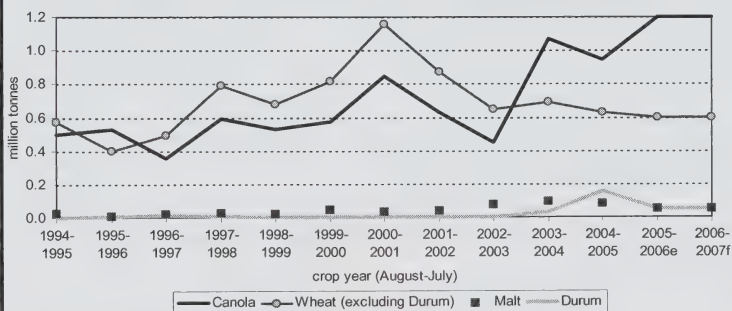
the agricultural sector employs 19% of the work force compared to 5% in Canada and 3% in the US.

TRADE BETWEEN CANADA AND MEXICO

Canada's agri-food exports to Mexico have increased dramatically since the implementation of the NAFTA. Since 1993, the last year before NAFTA came into force, Canadian agri-food exports to Mexico increased significantly. Similarly, Mexican farmers have benefited from improved trade with Canada, as our imports from Mexico have grown significantly from 1993 to 2003. Over that period, the value of Canada's agricultural trade surplus with Mexico has also increased. Canada's most important agri-food exports to Mexico are canola seed, beef and wheat. Significant imports from Mexico include vegetables, fruit, coffee and beer.

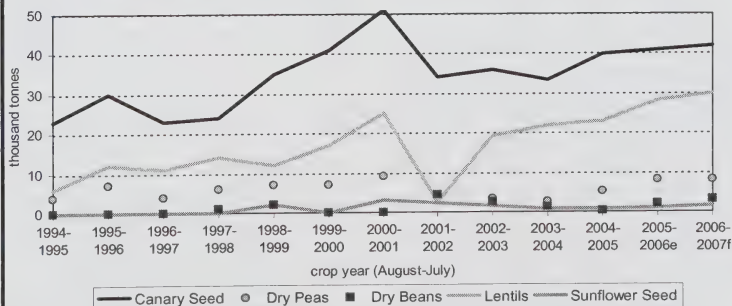
By January 1, 2003, Mexico had eliminated tariffs on virtually all agri-food products, as scheduled under the NAFTA. With this stage of tariff elimination, most Canadian agri-food products now have duty-free access to the Mexican market. Exemptions are poultry, eggs, dairy and sugar, which were excluded from any preferential treatment under NAFTA, and maize (white corn) and beans, which will be subject to tariff rate quotas (TRQs) in the Mexican market until January 1, 2008. Among the Canadian products with export potential that were previously subject to tariffs or TRQs and as of January 1, 2003, now have duty-free access in the Mexican market are pork, potatoes, apples, barley,

MEXICO: IMPORTS OF GRAINS AND OILSEEDS FROM CANADA



e: estimate, AAFC; f: forecast AAFC, March 2006
Source: Canadian Grain Commission, Statistics Canada

MEXICO: IMPORTS OF PULSE AND SPECIAL CROPS FROM CANADA



e: estimate, AAFC; f: forecast AAFC, March 2006
Source: Canadian Grain Commission, Statistics Canada

wheat, all vegetable oils and confectionery products.

AGRICULTURAL POLICY DEVELOPMENT

The *Programa de apoyo directo al campo* (PROCAMPO) was introduced in Mexico in October 1993 to facilitate the transition to more market-oriented policies from the previous system of guaranteed prices. Since 1993 it has provided direct cash payments at planting time on a per hectare basis to growers of several crops. These payments will remain constant in real terms until the fall/winter 2007-2008 planting cycle. However, with the initiation of a new system of credit guarantees, farmers will be able to obtain all future PROCAMPO payments in one amount, through credit guarantees. The objective of this new system is to provide capital to farmers so that they can diversify or establish more market-based agribusiness ventures. ASERCA (Support Services for Agricultural Marketing Agency) provides per tonne deficiency payments for wheat, maize, sorghum, rice and some other crops.

Under the ALIANZA program (Alliance for Agriculture) the government has provided incentives to its producers to diversify or establish more market-based agribusiness. This will help the agriculture sector deal with the full implementation of NAFTA, which, in its remaining two years, will see the complete removal of tariffs on all goods.

Over the last ten years, Mexico has actively sought to build on the success of the NAFTA, establishing a wide network of 11 free trade agreements, guaranteeing preferential access to 32 countries.

SITUATION AND OUTLOOK

Corn

In Mexico, two corn crops are grown, one seeded in the spring/summer which represents about 90-95% of total corn production and the remaining 5-10% is grown in fall/winter, with about 40% of the fall/winter crop irrigated. Yellow and white corn are the two main types of corn grown in Mexico. Cracked yellow corn, used primarily as an animal

feed source, makes up the majority of US corn exports to Mexico. NAFTA considers cracked corn a distinct commodity from corn and it has been exported to Mexico duty-free since 2003. White corn is used to produce Mexican tortillas and other foods. Since 2000, US white corn exports to Mexico have declined, due to Mexican agricultural policy, which has encouraged domestic production of white corn by providing incentives to producers.

For 2005-2006, corn production is estimated at 20.0 million tonnes (Mt), 12% below 2004-2005, due to lower area harvested. Imports are sourced entirely from the US, largely due to the NAFTA, which includes a Canadian TRQ of 1,426 tonnes (t) with an over quota tariff of 36.3% for 2006. The US corn growing area's close proximity to the Mexican border has made it unlikely that Canada will fill its corn TRQ. Imports are forecast to rise by 13%, to 6.7 Mt, due to strong demand from the livestock and starch industry as well as lower expected production. Total corn consumption is estimated at 28.4 Mt, up marginally due to an expected increase in feed demand. The feed industry, specifically the poultry

and hog sectors, are the two largest consumers of Mexican feed corn. Mexican corn carry-out stocks are estimated at 3.3 Mt, 34% lower than last year and with a low stocks-to-use ratio of 8% for 2005-2006.

For 2006-2007, production is forecast to increase by 7% to 21.3 Mt due to higher area seeded, assuming normal growing conditions. Imports are expected to rise by 13% to a record 7.6 Mt, supported by the growing livestock industry and continued demand for corn as a food source in tortillas. In 2007, the Canadian TRQ for corn imports increases to 1,469 t with an over quota tariff of 18.2%.

Wheat

For 2005-2006, wheat production increased to 3.0 Mt, 29% above 2004-2005 due to an increase in harvested area and improved yields related to good weather conditions. In addition, heavy rainfall late last year and in early 2005 allowed for water reservoirs to reach sufficient levels for irrigation. Imports are forecast to be relatively unchanged at about 3.6 Mt, mostly from the US.

Mexican wheat imports from the US are largely Hard Red Winter (HRW) wheat due to the close proximity of the large HRW wheat growing areas in the southern US plains to the Mexican border.

For 2005-2006, Canadian Western Red Spring wheat exports to Mexico are forecast at 0.6 Mt and are blended with lower quality wheat in order to improve Mexican flour quality. Imported wheat is also milled to make bread, cookies, cakes and prepared flours.

For 2006-2007, area seeded is forecast to rise marginally and, assuming average yields, production and imports are forecast to increase slightly.

Durum

For 2005-2006, durum production is estimated at 1.1 Mt, unchanged from last year. Mexico has been a net durum exporter since 1999-2000, largely due to its high internal transport costs, closeness to ports and consistently high crop quality. High quality durum is exported to North Africa and the EU, while poor quality durum is used as a feed ingredient in

MEXICO: WHEAT SUPPLY AND DISPOSITION					
<i>crop year</i>	2003	2004	2005	2006	
<i>July-June</i>	-2004	-2005	-2006e	-2007f	
Harvested Area (kha)	600	510	550	567	
	.....million tonnes.....				
Production	2.7	2.3	3.0	3.1	
Imports	3.6	3.7	3.6	3.7	
Total Supply	7.1	6.8	6.9	7.1	
Feed Use	0.1	0.1	0.1	0.2	
Other Use	5.7	5.9	6.0	6.2	
Exports	0.5	0.5	0.5	0.4	
Total Use	6.3	6.5	6.6	6.8	
Carry-out Stocks	0.8	0.3	0.3	0.3	
MEXICO: CORN SUPPLY AND DISPOSITION					
<i>crop year</i>	2003	2004	2005	2006	
<i>October-September</i>	-2004	-2005	-2006e	-2007f	
Harvested Area (kha)	7,690	7,755	7,200	7,300	
	.....million tonnes.....				
Production	21.8	22.6	20.0	21.3	
Imports	5.7	5.9	6.7	7.6	
Total Supply	30.8	32.9	31.7	32.2	
Feed Use	11.2	12.6	12.9	13.2	
Other Use	15.2	15.3	15.5	15.5	
Total Use	26.4	27.9	28.4	28.7	
Carry-out Stocks	4.4	5.0	3.3	3.5	
e: estimate; f: forecast, AAFC, March 2006					
Source: USDA					

hog rations. Exports are expected to remain unchanged at 0.4 Mt, while imports from Canada, are expected to fall from 2004-2005, to 0.1 Mt. Imports of durum from Canada are forecast at 50,000 t, down from 155,000 t in 2004-2005 when the majority of the imports were lower quality durum.

For 2006-2007, exports of durum wheat by Mexico, and imports from Canada, are forecast to remain unchanged from 2005-2006.

Barley

Mexico is the eighth largest beer producer in the world and in 2002 domestic beer production reached 6.3 billion litres (L). In the last 25 years, beer consumption has increased substantially. Currently, consumption of beer in Mexico is about 60 L per capita, compared to 63 L in Canada and 87 L in the US.

For 2005-2006, while barley production, consisting mainly of six-row varieties, is forecast to remain unchanged at 0.9 Mt, consumption is expected to continue to increase marginally to 0.95 Mt due to increased beer production in Mexico. As a result, Mexican malting barley imports are estimated to be unchanged at 75,000 t. Canadian exports of malting barley to Mexico are forecast to remain similar to last year at 5,000 t in 2005-2006. However, Canadian exports of malt have risen since the TRQ was eliminated in 2003 and are estimated at 50,000 t in 2005-2006. The remainder of Mexico's imports of malt and malting barley are sourced from the US.

For 2006-2007, barley production is forecast to remain similar to 2005-2006 due to unchanged seeded area and yields. Canadian malt and malting barley exports to Mexico are expected to remain similar to 2005-2006.

Oilseeds

The crushing industry in Mexico is a major importer of oilseeds to offset the deficit between its vegetable oil consumption and its domestic production. As population and income continue to grow in Mexico, demand for oilseeds is expected to continue to expand. Although the Mexican market utilizes many different types of oilseeds including peanuts, sunflower seed, cotton seed and canola, it continues to be dominated by soybeans.

Soybeans

Soybeans represent about 70% of Mexico's total annual oilseed imports. For 2005-2006, soybean production is estimated at 130,000 t, unchanged from last year. Soybean consumption is estimated at 3.8 Mt, up slightly from 2004-2005, largely due to strong feed demand from the hog and poultry sectors. As a result of this increase in demand for soybeans, the Mexican crushing industry is expected to expand as smaller, inefficient crushers are replaced by larger crushers. Although most of Mexico's soybean imports are from the US and Brazil, Canada is expected to export 10,000 t, up from 7,000 t in 2004-2005, for 2005-2006 and 2006-2007.

Canola

Due to canola's high oil content, compared to soybeans, it has been an attractive import for Mexico. For 2005-2006, imports of canola are forecast at 1.2 Mt, nearly all of which is from Canada. Mexican crushers have markets for canola oil and will import canola when it is price competitive and when they are able to market the canola meal. The EU was a competitor with Canada in Mexico, but with recent expansion in bio-diesel production in the EU, Mexican imports from the EU have been minimal. Mexico is Canada's second largest canola export market after Japan.

For 2006-2007, Mexican canola imports are forecast to rise marginally due to the higher vegetable oil consumption. Due to ample supplies, Canada will maintain its dominance in that market.

Flax

Mexico does not produce flaxseed. Over the last five years, the demand for Canadian flaxseed in Mexico has been increasing, with Canada supplying the majority of flaxseed to Mexico. Consumers have become more aware of the nutritional content and health benefits of flaxseed. The baking industry is also using flaxseed as an ingredient in multigrain breads and biscuits. Poultry producers are beginning to use flaxseed to produce omega-3 eggs and help maintain the health of their animals. For 2005-2006, imports of flaxseed from Canada are estimated at 2,000 t, up marginally from last year and are expected to continue to increase in 2006-2007.

Pulse and Special Crops

Canada is the major source of canary seed, mustard seed, lentils and sunflower

seed. There is duty free access for all Canadian pulses and special crops except for dry beans, the TRQ for which is increased by 3% each year. Dry bean imports made under this TRQ are duty free, however, the over quota duty is 58.7%. Under NAFTA, Canada has a TRQ of 2,139 t and an over quota tariff of 23.5% for dry beans in 2006. Canadian dry bean exports are expected to trend upwards with elimination of the TRQ on January 1, 2008. Dry beans, imported for seed, already have a zero tariff rate.

Mexico's total **canary seed** imports have been stable with about 50,000 t imported annually since 2003-2004. Mexico is currently the largest export destination for Canadian canary seed. The remainder of canary seed imports are Canadian canary seed re-exported from the US to Mexico. Canada's direct share of the market has steadily increased to 40,000 t in 2004-2005 and 41,000 t is forecast for 2005-2006.

For **lentils**, total imports have been relatively stable around the 2003-2004 level of 30,000 t. With lentil consumption increasing and domestic production remaining relatively small at an average of about 7,000 t annually, most of Mexico's domestic demand is filled by imports. Canada's share of imports have been stable and reached 23,000 t in 2004-2005 and are expected to increase to 30,000 t in 2005-2006 as it continues to be the main supplier to Mexico.

For **dry beans**, total imports have been variable depending on domestic production, with demand mainly consisting for coloured beans, especially pinto and black beans. Mexican dry bean production varies between 1.4 and 1.6 Mt or about 95% of its domestic demand. Per capita bean consumption continues to be one of the highest in the world at about 14.0 kilograms (kg). The remaining 5% is imported largely from the US, with small amounts from Canada. In 2004-2005, imports were low at about 52,000 t and Canada's share fell to 300 t. Canada's exports to Mexico in 2005-2006 are expected to recover to 2,000 t, near the 5-year average.

For **dry peas**, production is about 4,000 t. Total dry pea imports have been stable with Canada's share reaching 5,200 t in 2004-2005 or about 35% of the import market. Canada's exports to Mexico are expected to increase to 10,000 t for 2005-2006.

For **sunflower seed**, total imports have decreased in recent years. Mexico imports mainly confectionary sunflower seed from Canada. In 1998-1999, the US replaced Argentina and Uruguay as the main supplier of sunflower seeds to Mexico. Canada's exports to Mexico have been stable, reaching 900 t in 2004-2005, and are expected to increase to 1,100 t for 2005-2006.

For 2006-2007, total Canadian exports of pulse and special crops are forecast to increase due to growing demand and Canada is expected to continue its role as a major supplier.

Livestock

Pork

Mexican hog inventories have been relatively stable in recent years. However, the shift to more technically advanced producers has continued to reduce the cost of production, leading to better profitability. Consumer demand for processed pork is growing faster than for fresh and frozen pork cuts. However, pork cuts remain the largest portion of Mexican pork consumption. It is important to note that domestic pork prices are about 20% less than beef, but pork is roughly twice the price of chicken. Given the relatively low per capita consumption of pork in Mexico compared to Canada, the potential for growth in this sector is high. Strong pork prices in the last two years have helped encourage investment and consolidation in the pork sector.

For 2005, Mexican pork production was estimated to have increased marginally to about 1.0 Mt from 2004. Hog numbers estimated for 2005 remained similar to 2004 at about 15.5 million head (Mhd). Per capita consumption is about 15.4 kg and is expected to increase over the medium-term. Annual slaughter is about 14.5 Mhd, and continue to increase, largely due to Mexico's growing supermarket and meat processing sectors.

Canadian pork exports were about 68,800 t in 2004 and are estimated to have decreased to 63,100 t in 2005. Canadian hog exports are estimated to have risen substantially to about 11,800 head in 2005.

For 2006, demand for pork will be driven by the increasing purchasing power of the Mexican consumer. Pork imports from Canada are expected to increase due to Canada's ability to provide a highly consistent and quality product.

Beef

Beef production and the size of the Mexican cattle herd have remained stable throughout the 2000s, as consumption has remained at about 16 kg per capita. Beef's higher costs limit consumption to middle and higher income consumers.

Mexico closed its border to Canadian beef on May 20, 2003, due to the Bovine Spongiform Encephalopathy (BSE) case detected in Alberta. In August 2003, Mexico announced the re-opening of the border to certain boneless beef products from animals under 30 months of age. However, exports did not resume until October 2003 when the Canadian Food Inspection Agency (CFIA) and the Mexican authorities (SENASICA) reached an agreement on the certification conditions for exports of these products to Mexico. Since then, the CFIA and SENASICA have been working together to expand the list of Canadian beef products eligible to be exported to the Mexican market. Canadian bone-in beef, under 30 months of age, has recently been allowed access to Mexico.

Bone-in beef, ground beef, mechanically separated beef, advanced recovery meat and beef from animals over 30 months of age are still not allowed into Mexico because of BSE concerns. However, it is important to note that after the border was re-opened, Canada achieved a record level of boneless beef exports to Mexico in 2003-2004.

Live cattle from Canada are not imported because of the geographical distance, the availability of cattle from other sources and the BSE ban.

For 2005, it is estimated that Mexican beef cattle inventories increased marginally from 2004 to about 11.7 Mhd, while 2005 domestic beef production is estimated to be relatively unchanged at about 1.6 Mt. Exports of Canadian beef are estimated to be lower than 2004 at about 45,900 t. The high 2004 Canadian beef export levels to Mexico were the results of Canada being the only

exporter in Mexican market for the first part of the year.

For 2006, Mexican beef consumption is forecast to remain unchanged as consumers continue to support the demand for high quality and frozen food from the Mexican supermarket, tourism and restaurant sector.

Over the medium term, Mexico is expected to increase its reliance on imports of value-added agricultural food products and bulk commodities as demand increases. Canada is expected to be well positioned to continue to service the Mexican import market for wheat, malt, canola, beef, pork, pulse and special crops.

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A. SELLING PRICE OF BULK FEED INGREDIENTS AT SELECTED POINTS

April 3, 2006

SELECTED POINT	REFERENCE PERIOD	PRICE BASIS	(1) WHEAT	OATS	BARLEY	CORN	PRICE BASIS	SOYBEAN MEAL	CANOLA MEAL	MILL - FEEDS	MEAT MEAL	FISH MEAL	ANIMAL FAT	GLUTEN MEAL	GLUTEN FEED	FEED PEAS	DEHY ALFALFA	FEATHER MEAL
Vancouver	April 3, 2006	FOB	134.00	N/A	132.00	218.50		262.00	141.00	121.00		925.00	440.00					375.00
BC	March 27, 2006		134.00	N/A	132.00	214.50		267.25	149.50	109.00								375.00
Calgary	April 3, 2006	FOB	101.00	N/A	108.00	168.00		259.00			105.00	1000.00	450.00					380.00
AB	March 27, 2006		104.00	N/A	107.00	159.00		258.25			105.00	1000.00	450.00					380.00
Saskatoon	April 3, 2006	FOB	100.00	130.00	90.00	153.00		261.00	N/A		115.00	N/A	450.00			117.67		410.00
SK	March 27, 2006		99.50	130.00	89.50	140.00		260.25	N/A		115.00	N/A	450.00			118.67		410.00
Winnipeg	April 3, 2006	FOB	141.00	140.00	111.50	143.00		242.50	N/A		260.00	1062.50	525.00					370.00
MB	March 27, 2006		141.00	140.00	111.00	133.00		241.75	N/A		260.00	1062.50	525.00					370.00
Thunder Bay	April 3, 2006	In-Store	122.50	N/A	108.50													
ON	March 27, 2006		119.00	N/A	108.50													
Lake Ports	April 3, 2006	On Board				106.14												
USA	March 27, 2006	Vessel				99.15												
Bay Ports	April 3, 2006	In-Store	150.25	200.00	137.00													
ON	March 27, 2006		149.25	200.00	137.00													
Chatham	April 3, 2006	Track				116.79												
ON	March 27, 2006					111.42												
Toronto	April 3, 2006	N/A						FOB										
ON	March 27, 2006																	
Hamilton	April 3, 2006	N/A						259.70	N/A		171.00	N/A	400.00	425.00	114.00		285.00	325.00
ON	March 27, 2006							259.37	N/A		173.00	N/A	400.00	425.00	114.00		285.00	317.50
Eastern	April 3, 2006	FOB				120.24												
ON	March 27, 2006					116.18												
London	April 3, 2006	FOB												425.00	114.00			
ON	March 27, 2006													425.00	114.00			
Port Colborne	April 3, 2006	FOB												425.00	114.00			
ON	March 27, 2006													425.00	114.00			
Cardinal	April 3, 2006	FOB												425.00	114.00			
ON	March 27, 2006													425.00	114.00			
Montreal	April 3, 2006		155.00	150.00	145.00	130.00		254.46	185.85	95.67	175.00	850.00	407.00	425.00	114.00		270.00	330.00
QC	March 27, 2006		155.00	150.00	145.00	132.00		271.90	180.70	94.33	175.00	850.00	407.00	425.00	114.00		270.00	330.00
Trois-Rivières	April 3, 2006	In-Store	154.60		147.60	N/A												
QC	March 27, 2006		152.70		146.10	N/A												
St. Jean QC	April 3, 2006	FOB	144.15	135.00	134.65	129.65		253.06										
St. Hyacinthe QC	March 27, 2006		143.68	133.00	133.28	125.53		256.68										
Quebec	April 3, 2006	In-Store	154.53	N/A	161.19	138.04		255.70	197.83									
QC	March 27, 2006		153.90	N/A	160.63	135.45		268.46	198.40									
Truro	April 3, 2006	Track	186.20	120.00	169.80	168.44		303.89	205.44		236.30		543.00					330.00
NS	March 27, 2006		180.06	147.00	169.80	172.67		297.81	205.44		236.30		543.00					330.00
Truro	April 3, 2006	Water		N/A	N/A	N/A												
NS	March 27, 2006	8 Truck	N/A	N/A	N/A	N/A												
Halifax	April 3, 2006	In-Store	167.95	N/A	N/A	N/A		334.40	243.20	297.50		1,150.00	N/A					
NS	March 27, 2006		163.70	N/A	N/A	177.50		325.20	245.50	297.50		1,150.00	N/A					

Closing date Mar. 31/2006

US\$1.00 = CANS 1.1671

Source: Market Analysis Division, Agriculture and Agri-Food Canada; Thunder Bay prices are based on the Winnipeg Commodity Exchange (WCE) market close

N/A = not available

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Footnotes: All prices in Canadian dollars per metric tonne based on survey respondents.

Grain grades (unless otherwise specified) are: Western or Eastern Feed Wheat. Feed Oats. No.1 Canada Western or Eastern Barley. No.2 Canada Yellow Corn. No.3 US Yellow Corn.

Soybean Meal 48 % Protein. Canola Meal based on minimum standard of 35% Protein. Fish Meal: white fish and/or herring meal. Gluten Meal 60% Protein. Gluten Feed 21% Protein.

(1) Wheat 3CWSR (2) Canadian Corn #3 or #2 (3) US Corn (4) Fish Meal from West Coast 63% Protein (5) Fish Meal 60% Protein (6) Herring Fish Meal (7) Fraser Valley (8) Wheat & Barley (Basis - Cash Price WCE) (9) Oats 3CW

B. CASH PRICES AND REPLACEMENT VALUES

April 3, 2006

PRAIRIE GRAINS

Selected Points	Price Basis		This week 3-Apr-06	Last week 6-Mar-06	Month ago 20-Feb-06	Year Ago 4-Apr-05
From: Thunder Bay(WCE) (2)	In-Store	Wheat	122.00	118.00	118.00	103.00
(CBOT)		Oat	173.40	189.25	192.00	154.00
(Lethbridge)		Barley	111.00	106.00	104.00	114.50
To: Bayport, ON (1)	In-store	Wheat	145.61	141.61	141.61	126.61
		Oat	N/A	N/A	N/A	N/A
		Barley	138.39	133.39	131.39	141.89
Montreal, QC (1)	In-store	Wheat	150.03	146.03	146.03	131.03
		Oat	N/A	N/A	N/A	N/A
		Barley	143.31	138.31	136.31	146.81
Moncton, NB	Truck via Halifax	Wheat	172.25	168.25	168.25	153.25
		Oat	N/A	N/A	N/A	N/A
		Barley	167.50	162.50	160.50	171.00
Truro, NS	Truck via Halifax	Wheat	166.22	162.22	162.22	147.22
		Oat	N/A	N/A	N/A	N/A
		Barley	165.00	160.00	158.00	168.50
Halifax, NS (1)	In-store	Wheat	157.28	153.28	153.28	138.28
		Oat	N/A	N/A	N/A	N/A
		Barley	151.30	146.30	144.30	154.80
Stephenville, NL	Track / Truck via Sydney	Wheat	220.63	216.63	216.63	201.63
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A
Melfort, SK		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Bayport, ON		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Montreal, QC		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Moncton, NB		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Truro, NS		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track / Truck via Sydney	Barley	N/A	N/A	N/A	N/A
Stephenville, NL		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A

Selected Points	Price Basis		This week 3-Apr-06	Last week 6-Mar-06	Month Ago 20-Feb-06	Year Ago 4-Apr-05
Corn						
From: US Lake Port	On Board Vessel		106.14	109.27	106.37	99.82
To: Montreal, QC (1)	In-store		125.18	128.31	125.41	118.86
From: Chicago (IL)	Track		110.73	104.80	105.01	106.04
To: Montreal, QC	Track		139.59	133.66	133.87	134.90
From: Chatham, ON	Track		116.79	117.32	117.03	110.00
To: Montreal, QC	Track		140.66	141.19	140.90	133.87

Soymeal 48% Protein						
From: Hamilton, ON			259.70	257.50	268.19	264.33
To: Montreal, QC	Track		284.03	281.83	292.52	288.66
Moncton, NB	Track		302.78	300.58	311.27	307.41
Truro, NS	Track		306.00	303.80	314.49	310.63
Stephenville, NL	Track / Truck via Sydney		354.63	352.43	363.12	359.26

- Prices include ONE month of storage and interest charges n/a = not available
- Thunder Bay prices are based on the Winnipeg Commodities Exchange market close (Cash price)

Source: Market Analysis Division, Agriculture and Agri-Food Canada

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Footnotes: All prices quoted in Canadian dollars per metric tonne.

Grain grades (unless otherwise specified) are: Canada Western Feed Wheat, Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn. Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec.

Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable



Bi-weekly Bulletin

May 12, 2006 Volume 19 Number 7

LENTILS: SITUATION AND OUTLOOK

Canada is the largest exporter of lentils in the world. It became the largest producer of lentils in 2005-2006, but is expected to return to second place in 2006-2007 because production is forecast to decrease sharply. Exports in 2006-2007 are expected to remain stable, while carry-out stocks decrease sharply. Prices are forecast to increase because of the lower supply. The value of Canadian exports was \$233 million (M) in 2004-2005 and is anticipated to reach nearly M\$300 in 2005-2006. This issue of the *Bi-weekly Bulletin* examines the situation and outlook for lentils.

WORLD

Production

Lentils are best adapted to production in the cooler temperate zones of the world or in the winter season in countries, such as India and Australia, which have a warm winter and a hot summer. The seed coat colour of lentils can be clear, green, tan, grey, brown or black. The cotyledon is yellow, red or green. The two main market types are red and green.

World lentil production has been trending upwards during the past 10 years, ranging from 2.76 million tonnes (Mt) in 1997-1998 to 4.17 Mt in 2005-2006. Among the main producers, production has been trending upwards in Canada, the United States (US), Australia and China, but has been relatively stable in India, Turkey, Syria, Iran, Nepal and Bangladesh. In the US, production increased sharply since lentils were first included under the loan program in 2002. Although specific data is not available, an estimated 70% of world lentil production is the red type, 25% green type and 5% brown and other types. Canada and the US produce mainly the green type whereas the rest of the world produces mainly the red type.

Trade

During the past 10 years, world trade has been trending upwards from 0.65 Mt in 1995 to 1.17 Mt in 2001. In 2004, the latest year for which complete data is available, exports were 1.12 Mt. The top five exporting countries (Canada, Turkey, Australia, India and the US) accounted for 82% of world exports. About 60% of the exports were the red type, 35% green and 5% brown and other. Canada's share of world exports was 33% in 2004, but

increased to about 45% in 2005. Imports were distributed much more widely than exports, with the top 10 importing countries accounting for only 55% of imports.

CANADA

Production

Canadian lentil production has increased in response to market signals and contributed to the diversification of crop production in the Prairie Provinces, especially in Saskatchewan. The increase in lentil production has proven to be valuable in crop rotations which help to control weeds, diseases and insects and improve soil texture and fertility. The increased production also contributed to the expansion of the pulse crops handling, marketing and processing industry, which increased employment opportunities in rural areas. During the past 10 years, lentil production has been concentrated in Saskatchewan, which accounted for more than 95% of Canadian production. The balance was produced in Alberta and Manitoba.

Lentils are a cool season crop with a restricted root system which is only moderately resistant to high temperatures and drought. They do not tolerate water

WORLD: LENTIL SUPPLY AND DISPOSITION					
	2002 -2003	2003 -2004	2004 -2005	2005 -2006	2006 2007f
Harvested Area (kha)	3,685	3,630	3,957	4,000	3,700
Average Yields (t/ha)	0.78	0.86	0.95	1.04	0.94
.....thousand tonnes.....					
Carry-in Stocks	300	100	100	450	900
Production					
India	974	880	1,100	1,000	900
Canada	354	520	962	1,278	625
Turkey	565	540	540	560	600
United States	117	111	190	234	270
Australia	45	175	95	210	196
Syria	133	168	125	154	150
China	125	132	150	160	150
Nepal	148	150	159	161	145
Iran	117	120	125	125	125
Bangladesh	115	116	122	122	115
Others	197	194	199	165	184
Total Production	2,890	3,106	3,767	4,169	3,460
Total Supply	3,190	3,206	3,867	4,619	4,360
Total Use	3,090	3,106	3,417	3,719	3,760
Carry-out Stocks	100	100	450	900	600
Stocks-to-use ratio	3%	3%	13%	24%	16%

f: forecast, AAFC, Pulse Australia and USDA - May 2006

Source: FAO, USDA, Statistics Canada and Pulse Australia - May 2006

logging, flooding or soils with high salinity. In the Prairie Provinces of Canada, lentils are best suited to the Brown and Dark Brown soil zones, but can be grown successfully in the Black soil zone in years without excessive moisture. Lentils work well in a rotation with cereals, such as spring or durum wheat. Nitrogen fertilizer is not recommended because lentils possess the ability to fix nitrogen in nodules on the roots, where it can be used for plant growth. The nitrogen fixed by lentils is also used by other crops in the following years. To maximize the nitrogen fixation ability, lentil seed should be inoculated. Lentils require 90-100 days to mature and should be seeded as soon as the average soil temperature is greater than 5° Celsius.

Canadian production reached a record of 1.28 Mt in 2005-2006. Canada is the main producer of the green type of lentils in the world, accounting for about 75% of world production. However, production of the red type has been increasing and Canada has become a major producer. Canadian production of dark green speckled and brown types is small, accounting for only about 2% of total Canadian lentil production. The Canadian lentil harvest generally occurs during the period from mid-August to early October.

Most of the lentils produced in Canada have a green seed coat and yellow cotyledon. They are normally referred to as large green, medium green and small green, based on the seed size. The **large green** type includes the Laird, Glamis, Sovereign, Grandora, Plato and Sedley varieties. Their seed size is 60-70 grams/1000 seeds. The **medium green** type includes the Richlea, Vantage and Meteor varieties, with seed size of 50-55 grams/1000 seeds.

The **small green** type includes the Eston, Viceroy and Milestone varieties, with seed size of about 35 grams/1000 seeds. Canadian red type of lentils have a brown or pale green seed coat with red cotyledons. The **red** type varieties include Crimson, Redcap, Redberry, Robin, Blaze, Rouleau and Rosetown, with seed size of 30-40 grams/1000 seeds.

Marketing

All of the lentils produced in Canada are sold on the open market to dealers. With the increase in production, the number of dealers across the Prairie provinces who buy, clean and ship lentils to domestic and export customers has increased to about 50. There are several processing plants in Saskatchewan capable of de-hulling and splitting red and green types of lentils for the world market.

Lentils are shipped to ports mainly bagged in containers, although bulk shipments have been increasing with the building of suitable handling facilities. From the ports to overseas customers, they are shipped mainly bagged in containers, although some are also shipped bulk in containers or bulk inside the hold of ships. Most of the Canadian lentils are exported through the ports of Vancouver and Montreal. In addition to whole lentils, Canada also exports split lentils. The export of split lentils has been increasing, as Canadian splitting capacity expanded through the construction of new plants.

Exports

Canada exports about 70% of its production, while most other major producers export a relatively small portion of their production. Canadian lentil exports are dispersed throughout the world. The main importing countries in each region are: **Europe** (Italy, Germany, Spain, Belgium, France, Greece), **Middle East** (Turkey, Egypt, United Arab Emirates), **Africa** (Algeria, Morocco) **South America** (Colombia, Venezuela, Ecuador, Chile, Brazil, Peru), **North America** (Mexico, US) and **Asia** (India, Pakistan).

Although the **large green** type of lentils is exported all over the world, the main destinations are north-western and southern

WORLD: LENTIL EXPORTS						
	2000	2001	2002	2003	2004	2005
.....thousand tonnes.....						
Canada	519	490	352	370	372	576
Turkey	100	159	119	217	171	118
Australia	134	218	242	85	150	108
India	191	106	86	83	137	n/a
United States	78	97	102	94	83	160
Syria	16	12	11	70	71	n/a
China	18	14	21	33	37	34
Nepal	2	15	28	30	15	n/a
Other	38	63	58	55	84	n/a
Total	1,096	1,174	1,019	1,037	1,120	n/a
WORLD: LENTIL IMPORTS						
	2000	2001	2002	2003	2004	2005
.....thousand tonnes.....						
Bangladesh	37	47	63	123	110	n/a
Sri Lanka	80	91	107	91	93	n/a
Egypt	77	113	100	61	89	n/a
Colombia	67	50	65	53	63	67
Spain	50	47	47	47	41	54
Algeria	72	47	63	67	39	86
Pakistan	37	68	67	81	36	n/a
Sudan	22	14	20	14	32	n/a
Mexico	26	31	29	29	31	30
India	21	87	67	38	27	n/a
France	36	32	31	32	27	33
Italy	28	28	27	31	27	28
Saudi Arabia	15	25	21	24	26	n/a
Peru	25	28	27	20	25	n/a
Germany	37	26	21	21	24	20
United Kingdom	13	15	17	15	18	20
United States	8	10	11	13	16	14
Eritrea	9	6	2	12	16	n/a
Ecuador	15	17	16	13	15	n/a
Haiti	4	3	4	6	15	n/a
Chile	17	11	16	14	14	16
Belgium	9	9	7	9	12	12
Greece	12	12	13	10	11	13
United Arab Emirates	7	9	41	10	10	n/a
Ethiopia	8	4	1	10	10	n/a
Venezuela	15	17	16	8	9	14
Brazil	7	12	9	9	9	11
Turkey	141	99	23	17	6	64
Other	180	180	154	231	173	n/a
Total	1,075	1,138	1,085	1,109	1,024	n/a

n/a: not available

The difference between imports and exports is attributed to the timing of delivery and less complete reporting for imports.

Source: FAO, Statistics Canada, USDA and Global Trade Atlas - May 2006

Europe, Algeria, South America, and Central America. The **medium green** type is exported mainly to north-western Europe, Spain, Algeria, Morocco and the US. The **small green** type is exported mainly to Morocco, Greece, Italy, Egypt, and Mexico. The **red** type is exported mainly to southern Asia, the Middle East and northern Africa. The **dark green speckled** type is exported mainly to France and the **brown** type mainly to Spain.

Domestic Use

Canadian domestic use (which includes food, feed, seed, dockage, and waste) accounts for about 30% of production.

Prices

Canadian prices are largely determined in the international markets because Canada exports about 70% of its production. Since Canada produces most of the green type of lentils in the world, while it is a smaller producer of the red type, the level of production in Canada has much more influence on green type prices than on red type prices. The substitution of one type of lentil with another is very limited. Therefore, it is common for wide price spreads to exist between different types of lentils. Since there is no futures market for lentils, prices are negotiated directly between dealers and customers, based on supply and demand factors for each type of lentil, for immediate delivery or for delivery at some future date.

Some lentils are grown under production contracts, which guarantee a price for part of the production, but most are sold on the spot market.

Organisations

The **Canadian Grain Commission** administers quality control standards for lentils. The grades are No.1, 2, 3 and extra 3 Canada other than Red, and No.1, 2, 3 and extra 3 Canada Red. Lentils which do not meet the listed grade standards are graded Sample Canada. The major quality concerns in lentil grading are damage due to heating and peeling, split or broken seed, seed discolouration, as well as foreign material. For further information, or to access the Official Grain Grading Guide, please visit

the CGC website:
(www.grainscanada.gc.ca)

The Canadian Special Crops

Association (CSCA - <http://www.specialcrops.mb.ca/>) establishes trade rules and serves as a forum for exporters, dealers and brokers involved in the industry of trading Canada's pulse and special crops, including lentils. The website includes a section where buyers can submit a request for prices.

Pulse Canada

(www.pulsecanada.com) is an industry organization, with the CSCA and provincial pulse growers' organizations as members. It is involved in market development, market access, policy issues and coordination of scientific research. The website contains information on pulse crops, markets, and health and nutrition.

Pulse Innovation Project (PIP)

PIP is managed by Pulse Canada and funded mainly by a M\$3.2 contribution, over three years starting in 2005, from Agriculture and Agri-Food Canada under the Science and Innovation pillar of the Agricultural Policy Framework. The goal of the PIP is to stimulate innovation in product development by understanding industry needs and targeting research that will boost the incorporation of pulses, including lentils, into food and industrial products. It will support the development and commercialization of products by working with food processors and ingredient manufacturers to ensure that the end results are foods that will be found on grocery store shelves, targeting products that are

CANADA: LENTIL SUPPLY AND DISPOSITION						
	2002 -2003	2003 -2004	2004 -2005	2005 -2006	2006 2007f	
<i>August - July crop year</i>						
Seeded Area (kha)	601	554	778	884	535	
Harvested Area (kha)	387	536	750	862	508	
Yield (t/ha)	0.91	0.97	1.28	1.48	1.23	
	.....thousand tonnes.....					
Carry-in stocks	131	55	38	245	590	
<i>Production</i>						
<i>Large Green</i>	185	270	590	760	290	
<i>Medium Green</i>	40	70	65	70	20	
<i>Small Green</i>	38	60	180	190	85	
<i>Red</i>	85	110	115	240	220	
<i>Dark Green Speckled and Brown</i>	6	10	12	18	10	
Total Production	354	520	962	1,278	625	
Imports	9	5	10	10	10	
Total Supply	494	580	1,010	1,533	1,225	
<i>Exports</i>						
<i>Middle East</i>	16	54	62	175	180	
<i>South America</i>	109	106	139	150	145	
<i>Europe</i>	68	82	92	125	120	
<i>Africa</i>	43	44	85	100	100	
<i>Asia</i>	56	41	33	45	50	
<i>Central America and Antilles</i>	23	28	33	38	40	
<i>United States</i>	5	12	7	7	5	
Total Exports	320	367	451	640	640	
Total Domestic Use	119	175	314	303	235	
Total Use	439	542	765	943	875	
Carry-out Stocks	55	38	245	590	350	
Stocks-to-use ratio (%)	13%	7%	32%	63%	40%	
Seeded Area (kac.)	1,485	1,369	1,922	2,184	1,322	
Harvested Area (kac.)	956	1,324	1,853	2,130	1,255	
Yield (lb/ac.)	816	866	1,144	1,323	1,098	
Average producer price *						
Large Green \$/t	650	452	419	265	287	
\$/lb	0.295	0.205	0.190	0.120	0.130	
Medium Green \$/t	562	430	364	220	265	
\$/lb	0.255	0.195	0.165	0.100	0.120	
Small Green \$/t	430	386	485	254	276	
\$/lb	0.195	0.175	0.220	0.115	0.125	
Red \$/t	364	375	386	287	298	
\$/lb	0.165	0.170	0.175	0.130	0.135	

* Saskatchewan, No. 1 Canada grade

f: forecast, Agriculture and Agri-Food Canada, May 2006

Source: Statistics Canada and AAFC

economic, convenient and enhance nutrition and health. In addition, PIP will explore and support industrial avenues for pulses to ensure the maximum value added opportunities for producers.

USE

On average, about 70% of all lentils are consumed in the countries where they are produced. Total world use has been trending upwards during the past 10 years.

Lentils are generally used for food. They are canned or packaged, whole or split, for retail sale, or processed into flour. They are then used in soups, stews, salads, casseroles, snack food and vegetarian dishes. In southern Asia, split red lentils are used in curries. Lentil flour is added to cereal flour to make breads, cakes and baby foods. Lentils are often used as a meat extender or substitute because of the high protein content and quality. Lentils have a shorter cooking time than other pulses and do not need to be pre-soaked.

Only a relatively small volume of low quality lentils are used for livestock feed, however nutritional analysis indicates that they make an excellent feed.

Healthy Diet

Pulses, including lentils are increasingly being used in health-conscious diets to promote general well-being and reduce the risk of illness. They are low in fat, low in sodium, cholesterol free, high in protein, and are an excellent source of both soluble and insoluble fibre, complex carbohydrates, and vitamins and minerals, especially B vitamins, potassium and phosphorus.

Since lentils are low in fat, low in sodium and are cholesterol free, they are an excellent heart healthy food that may be beneficial to the prevention of cardiovascular disease. Lentils are an inexpensive, high quality source of protein. Studies have shown that whole pulses (including lentils) have demonstrated cholesterol and lipid lowering effects in humans.

Studies have reported the beneficial effects of soluble dietary fibre on cardiovascular disease in humans, especially in lowering both total serum and

LDL-cholesterol levels. In addition, clinical research has shown soluble fibre to be beneficial in the management of type-2 diabetes. Insoluble dietary fibre consumption can be beneficial to a healthy colon and has been associated with reducing the risk of colon cancer. Diets high in fibre have demonstrated beneficial effects on weight loss because they deliver more bulk and less energy.

Lentils are an excellent source of the B vitamin folate which is an essential nutrient. In addition, folate consumption during pregnancy has been shown to reduce the risk of neural tube defects.

Flour made from lentils is gluten free and is a very nutritious option for people with celiac disease.

OUTLOOK: 2006-2007

World

World production is forecast to decrease by 17% from 2005-2006, to 3.46 Mt, mainly due to lower production in Canada. Canada's share of world production is expected to decrease to 18% from 31% in 2005-2006. World supply is forecast to decrease by only 6% to 4.36 Mt, as higher carry-in stocks offset most of the decrease in production. Canada's share of world supply is expected to decrease to 28% from 33% in 2005-2006. Total world use is forecast to increase, while carry-out stocks fall sharply.

Canada

Area seeded to lentils in Canada is expected to decrease by 40%, according to Statistics Canada's seeding intentions survey. The sharp decrease in expected seeded area is due to historically low prices and high carry-in stocks for green lentils. Since the survey was conducted during March 17-31, 2006, the actual seeded area may differ from the intentions due to changes in the market outlook and expected prices, and producer reaction to the seeding intentions report. Assuming normal precipitation for the growing and harvest periods, and the resulting normal abandonment and trend yields, production is expected to decrease by 51% from 2005-2006 to 625,000 tonnes. In 2005-2006, average yields were significantly above trend. The main factor to watch is precipitation during the

growing and harvest periods. At the start of seeding, soil moisture reserves in the lentil growing areas were generally average to above average. Production is expected to decrease for all types, with a moderate decrease for red lentils, and a large decrease for green lentils.

Supply is forecast to decrease by only 20% to 1.23 Mt, due to higher carry-in stocks. Exports are expected to be similar to 2005-2006. Carry-out stocks are forecast to decrease sharply to 0.35 Mt, with the stocks-to-use ratio decreasing to 40%. Average producer prices are forecast to increase from 2005-2006 because of the lower world and Canadian supply. However, prices could be very volatile, especially for the green types, if there are any production problems.

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CANADA: ESTIMATED RETURNS NET OF VARIABLE COSTS, 2006-2007

MANITOBA

	Wheat	Barley	Canola	Flaxseed	Soybeans	Oats	Sunflower	Dry Peas	
	CWRS	Feed ^{5/}					Confectionery	Green (food)	Feed
Variable Costs (VC) ^{1/}	.....\$/ha.....								
Seed (inc. treatment)	25	23	68	34	189	31	87	48	48
Fertilizer	100	100	118	87	36	92	115	47	47
Chemicals	75	63	126	52	42	24	125	69	69
Fuel	33	33	33	33	38	33	34	34	34
Machinery Operating	25	25	25	25	24	25	27	26	26
Crop Insurance	13	12	22	16	26	16	25	15	15
Operating Interest	8	8	12	8	11	7	13	7	7
Other	19	19	19	19	20	19	20	20	20
Total VC	297	281	421	272	386	246	446	266	266

Projected Returns ^{2/}	2 CWRS*	1 CW	1 CAN	1 CW	2 CAN	1 CW	1 CAN	2 CAN	Feed
Projected Yield (t/ha)	2.65	3.35	1.75	1.35	2.00	2.90	1.45	2.45	2.45
Forecasted Price (\$/t) ^{3/}	138	76	257	213	200	128	375	140	115
Projected Revenue (\$/ha)	366	255	450	288	400	371	544	343	282

Returns Net of VC(\$/ha)	68	(27)	28	16	14	125	98	77	16
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SASKATCHEWAN: Brown Soil Zone - conventional seeded stubble

	Wheat			Barley	Lentils	Mustard	Chickpeas	
	CWRS	Durum	CPS	Feed ^{5/}	Large Green	Yellow	Large Kabuli	Desi
Variable Costs (VC) ^{4/}	.....\$/ha.....							
Seed (inc. treatment)	22	22	19	14	40	42	178	47
Fertilizer	72	72	72	72	21	70	21	21
Chemicals	39	40	40	37	92	43	166	101
Fuel	37	37	37	37	40	38	40	40
Repairs	14	14	14	14	25	14	22	22
Crop Insurance	8	11	10	11	38	18	41	25
Interest	5	5	5	5	7	6	12	7
Other	14	14	14	12	12	11	9	9
Total VC	211	215	211	201	276	243	490	272

Projected Returns ^{2/}	1 CWRS*	1 CWAD*	1 CPS	1 CW	1 CAN	1 CAN	2 CW	2 CW
Projected Yield (t/ha)	1.80	1.80	2.25	2.00	1.15	0.80	1.10	1.20
Forecasted Price (\$/t) ^{3/}	142	140	99	85	285	310	505	275
Projected Revenue (\$/ha)	256	252	223	170	328	248	556	330

Returns Net of VC(\$/ha)	45	37	12	(31)	52	5	66	58
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SASKATCHEWAN: Black Soil Zone - conventional seeded stubble

	Wheat	Barley		Oats	Dry Peas		Flaxseed	Canola	Canary Seed
	CWRS	Malting	Feed ^{5/}		Yellow (food)	Feed			
Variable Costs (VC) ^{4/}	.....\$/ha.....								
Seed (inc. treatment)	22	15	15	29	40	36	17	54	15
Fertilizer	89	89	89	89	17	17	79	93	89
Chemicals	52	47	47	25	74	69	60	59	47
Fuel	37	37	37	37	40	40	40	38	37
Repairs	19	19	19	19	28	28	23	19	19
Crop Insurance	11	12	12	12	16	16	21	17	17
Interest	6	6	6	6	6	6	7	7	6
Other	17	12	12	12	11	11	12	12	15
Total VC	254	237	237	229	231	221	260	299	244

Projected Returns ^{2/}	2 CWRS*	SS2R	1 CW	3 CW	2 CAN	Feed	2 CW	1 CW	
Projected Yield (t/ha)	2.25	2.65	2.85	2.35	2.15	2.15	1.20	1.50	1.00
Forecasted Price (\$/t) ^{3/}	136	105	80	117	135	105	207	253	210
Projected Revenue (\$/ha)	306	278	228	275	290	226	248	380	210

Returns Net of VC(\$/ha)	52	41	(9)	46	59	4	(11)	80	(34)
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1/ 2006 Manitoba Agriculture, Food and Rural Initiatives variable costs.

2/ AAFC forecast, May, 2006

3/ AAFC forecast prices for 2006-07. For wheat, durum and malting barley, the April 2006-07 CWB PRO is used.

4/ 2006 Saskatchewan Agriculture, Food and Rural Revitalization

5/ Off-Board

* CWRS: 13.5% protein / CWAD: 13.0% protein / CERW 12.0% protein

Totals may not add due to rounding.

CANADA: ESTIMATED RETURNS NET OF VARIABLE COSTS, 2006-2007**ALBERTA: Brown Soil Zone - stubble, except durum, canola and mustard**

	Wheat		Barley	Canola	Lentils	Chickpeas	Mustard
	CWRS	Durum	Feed ^{5/}		Large Green	Large Kabuli	Yellow
Variable Costs (VC) ^{1/}	.....\$/ha.....						
Seed (inc. treatment)	31	37	27	62	37	161	31
Fertilizer	48	32	48	32	20	20	32
Chemicals	58	37	30	62	48	73	49
Fuel	22	22	22	22	22	22	22
Repairs	21	21	21	21	21	21	21
Crop Insurance	31	32	35	42	40	33	32
Interest	4	3	3	4	3	7	3
Other	65	65	65	65	65	65	65
Total VC	280	250	251	310	256	402	256
Projected Returns ^{2/}	1 CWRS*	1 CWAD*	1 CW	1 CAN	1 CAN	2 CW	1 CAN
Projected Yield (t/ha)	1.80	1.80	1.90	1.35	1.20	1.20	0.85
Forecasted Price (\$/t) ^{3/}	150	142	88	258	290	505	310
Projected Revenue (\$/ha)	270	256	167	348	348	606	264
Returns Net of VC(\$/ha)	(10)	6	(84)	38	92	204	7

ALBERTA: Black Soil Zone - stubble

	Wheat		Barley	Oats	Dry Peas		Canola
	CWRS	CPS	Feed ^{5/}		Green (food)	Feed	
Variable Costs (VC) ^{1/}	.....\$/ha.....						
Seed (inc. treatment)	31	36	27	30	67	67	62
Fertilizer	112	112	112	112	89	89	146
Chemicals	68	68	61	30	73	73	73
Fuel	26	26	26	26	26	26	26
Repairs	23	23	23	23	23	23	23
Crop Insurance	17	20	17	22	21	21	20
Interest	6	6	5	4	6	6	7
Other	63	63	63	63	63	63	63
Total VC	347	354	335	311	368	368	420
Projected Returns ^{2/}	2 CWRS*	1 CPS	1 CW	1 CW	2 CAN	Feed	1 CAN
Projected Yield (t/ha)	2.50	3.40	3.25	2.45	2.40	2.40	1.75
Forecasted Price (\$/t) ^{3/}	144	107	88	104	140	115	258
Projected Revenue (\$/ha)	360	364	286	255	336	276	452
Returns Net of VC(\$/ha)	13	10	(49)	(56)	(32)	(92)	31

Ontario: - conventional seeded

	Wheat		Barley	Corn	Soybeans	Dry Beans	Canola
	SRW	HRW	Feed	Grain		White Pea	winter
Variable Costs (VC) ^{4/}	.....\$/ha.....						
Seed (inc. treatment)	86	115	80	143	90	145	85
Fertilizer	132	178	108	203	36	61	238
Chemicals	16	16	47	87	93	122	33
Fuel	26	26	26	39	26	42	20
Repairs	39	39	39	41	42	45	32
Crop Insurance	20	20	11	36	25	45	22
Interest	19	23	14	25	12	16	15
Other(includes drying)	55	55	45	206	70	80	68
Total VC	393	472	372	781	394	556	514
Projected Returns ^{2/}	1 CERW	1 CERW*	Feed	2 CE	2 CAN	1 CAN	1 CAN
Projected Yield (t/ha)	5.00	4.25	3.30	8.00	2.60	2.00	2.10
Forecasted Price (\$/t) ^{3/}	130	150	105	112	215	495	255
Projected Revenue (\$/ha)	650	638	347	896	559	990	536
Returns Net of VC(\$/ha)	257	166	(25)	115	165	434	22

1/ 2006 Alberta Agriculture, Food and Rural Development variable costs.

2/ AAFC forecast, May, 2006

3/ AAFC forecast prices for 2006-07. For wheat, durum and malting barley, the April 2006-07 CWB PRO is used.

4/ 2006 Ontario Ministry of Agriculture and Food.

5/ Off-Board

* CWRS: 13.5% protein / CWAD: 13.0% protein / CERW 12.0% protein

Totals may not add due to rounding.



CANADA: GRAINS AND OILSEEDS OUTLOOK

April 28, 2006

Statistics Canada's (STC) survey of seeding intentions for 2006 indicates that the total area seeded to grains and oilseeds is expected to decrease by 1% from 2005. The areas seeded to winter wheat, spring wheat, oats, flaxseed, corn and soybeans are expected to increase but the areas seeded to durum wheat, barley, rye and canola are expected to decrease. Summerfallow area in western Canada is expected to increase by 15% or 628,000 hectares, from 2005, contrary to the long term trend, reflecting farmer uncertainty about seeding decisions. The actual seeded areas may differ from the intentions due to changes in the market outlook and expected prices, producer reaction to the STC report and soil moisture conditions at the time of seeding.

The total production of grains and oilseeds in Canada is forecast by Agriculture and Agri-Food Canada to decline by 7%, to 62.1 million tonnes, (Mt) versus the 10-year average of 59.9 Mt. Production is forecast to decline by 8%, to 46.6 Mt, in western Canada and by 3%, to 15.5 Mt, in eastern Canada. Normal abandonment, trend yields and normal crop quality are assumed for both western and eastern Canada. In general, soil moisture reserves are adequate. Total exports and domestic use are each forecast to increase by 4%. The price changes for wheat and durum, compared to 2005-06, are mixed, depending on the grade and class of wheat. Prices for canola, feed barley and corn are expected to strengthen but prices for soybeans and oats are forecast to decline. Prices will continue to be pressured by the strong Canadian dollar. The market outlook is very tentative due to the high degree of uncertainty regarding global supply and demand conditions. The major factors to watch are: US winter wheat conditions, weather and growing conditions in the major producing countries, import demand from China, EU export subsidies, increased demand for biofuel, ocean freight rates and the Canada/US exchange rate.

DURUM

For 2006-07, production is forecast to decline by 39% due to lower area seeded and yields. Despite high carry-in stocks, most of which is lower quality durum, supply is forecast to fall significantly to only slightly above the 10-year average. Exports are expected to decrease by 12%, due to lower import demand from North Africa which is expected to increase its production. Carry-out stocks are forecast to decrease to near-normal level. The CWB Pool Return Outlook (PRO) for No. 1 CWAD is down marginally from 2005-06 as a result of lower demand.

WHEAT (ex-durum)

Production is forecast to rise by 6%, as larger area is partly offset by lower yields. Supply is also expected to increase due to higher carry-in stocks. Exports are forecast to increase by 1.6 Mt, as a result of significantly higher production in Ontario and an increased supply of high quality wheat in western Canada. Wheat feeding is expected to increase, due to the large carry-in stocks of feed wheat. Carry-out stocks are expected to fall marginally but remain historically high. The CWB PRO for No. 1 CWRS is down slightly from 2005-06, as a result of higher expected supply. Returns for lower quality wheat are, in general, slightly higher.

BARLEY

Production is forecast to decrease by 10% due to lower area and yields. Supply is expected to be further reduced by low carry-in stocks. Exports are forecast to decrease by 15% to a normal level as the decrease in feed barley exports is only partially offset by higher exports of malting barley. Despite lower exports and domestic feed use, carry-out stocks are expected to fall significantly as a result of lower supply. The average off-Board feed

barley price is forecast to increase by \$20/t from 2005-06 to \$130/t, for No.1 CW I/S Lethbridge. The CWB PRO for feed barley Pool A is \$113/t vs. \$117/t for Pool B in 2005-06. The CWB PRO for SS2R malting barley decreased to \$161/t, pressured mainly by strong export competition from Australia.

CORN

Production is forecast to fall by 7%, as lower yields more than offset slightly higher seeded area. Imports are forecast to increase significantly, as a result of lower domestic supply and strong demand for ethanol production and animal feed. Carry-out stocks are forecast to drop by over 25%. The average price at Chatham elevator is forecast to increase by \$20/t to \$120/t largely due to higher US corn prices.

OATS

Production is forecast to rise by 20% due to larger area and a return to normal abandonment rates. Supply is expected to increase as higher production more than offset lower carry-in stocks. Exports are forecast to be the same as 2005-06, as strong US import demand is offset by more competition from the EU. While feed use is expected to rise significantly, carry-out stocks are projected to rise by about 20%. CBOT oat nearby futures prices are forecast to decrease by C\$15/t from 2005-06 to \$125/t, narrowing the US price premium of oats over corn.

CANOLA

Production is forecast to decrease by 24% to 7.3 Mt because of lower area and yields. Supply is also expected to decrease significantly, but remain historically high, due to the sharp increase in carry-in stocks. Exports are forecast to equal the record anticipated for 2005-06. Domestic crush is not expected to increase from the record

high of 2005-06 due to constrained crush capacity. Carry-out stocks are forecast to decrease significantly which will support prices that are expected to rise from the low of 2005-06. Prices will be pressured by lower US soyoil prices.

FLAXSEED (excluding solin)

Production is expected to increase as higher area more-than offsets the drop in yields. Supply is expected to rise sharply because of burdensome carry-in stocks resulting from high production in 2005-06 and low EU imports. Although exports and total domestic use are forecast to rise, carry-out stocks are expected to increase to 0.6 Mt vs. the 10-year average of 0.2 Mt. As a result, prices are forecast to decline.

SOYBEANS

Production is forecast to decline by 2%, as lower yields more than offset the rise in area. Supply is forecast to decrease slightly although the decline is moderated by a projected rise in imports. Exports are forecast to increase to a record high but domestic crush is expected to be the same as 2005-06. Carry-out stocks are forecast to remain stable while prices continue to be pressured by low US soybean prices.

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CANADA: GRAINS AND OILSEEDS SUPPLY AND DISPOSITION

April 28, 2006

Grain and Crop Year (a)	Area Seeded thousand ha	Area Harvested thousand ha	Yield t/ha	Production	Imports (b)	Total Supply thousand metric tonnes	Exports (c)	Food & Industrial Use (e)	Feed, Waste & Dockage	Total Domestic Use (d)	Carry-out Stocks	Average Price (f) \$/t
Durum												
2004-2005	2,230	2,141	2.32	4,962	1	6,752	3,218	254	536	1,013	2,521	201
2005-2006F	2,341	2,297	2.58	5,915	1	8,436	4,200	255	686	1,136	3,100	177*
2006-2007F	1,639	1,606	2.24	3,600	1	6,701	3,700	260	561	1,001	2,000	175**
Wheat Except Durum												
2004-2005	8,169	7,722	2.71	20,898	13	25,203	11,593	2,845	4,521	8,138	5,471	190
2005-2006F	7,753	7,530	2.77	20,860	15	26,347	12,400	2,885	4,175	7,947	6,000	186*
2006-2007F	8,729	8,549	2.60	22,200	10	28,210	14,000	3,150	4,355	8,310	5,900	182**
All Wheat												
2004-2005	10,399	9,862	2.62	25,860	14	31,955	14,812	3,099	5,056	9,151	7,992	
2005-2006F	10,094	9,826	2.72	26,775	16	34,783	16,600	3,140	4,861	9,083	9,100	
2006-2007F	10,368	10,155	2.54	25,800	11	34,911	17,700	3,410	4,916	9,311	7,900	
Barley												
2004-2005	4,678	4,050	3.26	13,186	83	15,371	1,863	268	9,358	10,019	3,489	112
2005-2006F	4,440	3,889	3.21	12,481	35	16,005	2,700	260	9,740	10,405	2,900	100-120
2006-2007F	4,204	3,675	3.07	11,295	30	14,225	2,300	270	9,350	10,025	1,900	120-140
Corn												
2004-2005	1,185	1,072	8.24	8,837	2,422	12,401	242	2,395	7,951	10,358	1,802	100
2005-2006F	1,124	1,096	8.63	9,461	1,600	12,862	250	2,500	8,597	11,112	1,500	85-105
2006-2007F	1,140	1,105	7.96	8,800	3,300	13,600	200	3,300	8,985	12,300	1,100	110-130
Oats												
2004-2005	1,995	1,315	2.80	3,683	26	4,497	1,675	118	1,560	1,834	988	131
2005-2006F	1,853	1,326	2.59	3,432	15	4,435	1,700	140	1,525	1,835	900	130-150
2006-2007F	2,181	1,600	2.58	4,130	15	5,045	1,700	140	1,930	2,245	1,100	115-135
Rye												
2004-2005	284	165	2.53	418	1	487	122	48	155	220	145	69
2005-2006F	226	148	2.42	359	1	505	120	48	190	255	130	65-85
2006-2007F	207	135	2.30	310	1	441	150	48	146	211	80	80-100
Mixed Grains												
2004-2005	220	111	2.87	318	0	318	0	0	318	318	0	
2005-2006F	209	109	2.78	303	0	303	0	0	303	303	0	
2006-2007F	175	105	2.86	300	0	300	0	0	300	300	0	
Total Coarse Grains												
2004-2005	8,362	6,713	3.94	26,442	2,531	33,074	3,902	2,828	19,342	22,749	6,424	
2005-2006F	7,852	6,568	3.96	26,036	1,651	34,111	4,770	2,948	20,356	23,911	5,430	
2006-2007F	7,907	6,620	3.75	24,835	3,346	33,611	4,350	3,758	20,711	25,081	4,180	
Canola												
2004-2005	5,319	4,938	1.57	7,728	108	8,444	3,412	3,031	328	3,403	1,629	309
2005-2006F	5,491	5,253	1.84	9,660	125	11,415	5,000	3,400	470	3,915	2,500	255-295
2006-2007F	4,693	4,535	1.61	7,300	150	9,950	5,000	3,400	405	3,850	1,100	270-310
Flaxseed												
2004-2005	728	528	0.98	517	39	648	468	n/a	n/a	151	30	n/a
2005-2006F	842	803	1.35	1,082	35	1,147	475	n/a	n/a	172	500	265-295
2006-2007F	909	883	1.25	1,100	20	1,620	700	n/a	n/a	295	625	225-265
Soybeans												
2004-2005	1,229	1,178	2.59	3,048	393	3,581	1,122	1,610	457	2,190	270	248
2005-2006F	1,176	1,169	2.70	3,161	300	3,731	1,250	1,650	471	2,231	250	210-240
2006-2007F	1,271	1,244	2.50	3,110	350	3,710	1,350	1,650	360	2,110	250	195-235
Total Oilseeds												
2004-2005	7,277	6,643	1.70	11,293	540	12,674	5,002	n/a	n/a	5,743	1,929	
2005-2006F	7,510	7,225	1.92	13,904	460	16,293	6,725	n/a	n/a	6,318	3,250	
2006-2007F	6,873	6,662	1.73	11,510	520	15,280	7,050	n/a	n/a	6,255	1,975	
Total Grains And Oilseeds												
2004-2005	26,038	23,219	2.74	63,596	3,085	77,703	23,715	n/a	n/a	37,643	16,345	
2005-2006F	25,456	23,620	2.82	66,715	2,127	85,186	28,095	n/a	n/a	39,311	17,780	
2006-2007F	25,148	23,437	2.65	62,145	3,877	83,802	29,100	n/a	n/a	40,647	14,055	

(a) August - July crop year except corn and soybeans which are September - August.

(b) Excludes imports of products. (c) Includes exports of products for wheat, oats, barley, and rye. Excludes exports of oilseed products.

(d) Total Domestic Use = Food and Industrial Use + Feed Waste & Dockage + Seed Use

(e) Soybean food and industrial use is based on data from the Canadian Oilseed Processors Association. Total excludes flaxseed due to data confidentiality.

(f) Crop year average prices: No.1 CWRS 11.5% protein and No.1 CWAD 11.5% (CWB final price I/S St. Lawrence/Vancouver), Barley (No. 1 feed, WCE, cash, I/S Lethbridge), Corn (No.2 CE, cash, I/S Chatham), Oats (US No. 2 Heavy, CBoT nearby futures), Rye (No.2 Canada, Elevator bids at select western delivery points), Canola (No. 1 Canada, WCE, cash, I/S Vancouver), Flaxseed (No. 1 CW, WCE, cash, I/S Thunder Bay), Soybeans (No. 2, I/S Chatham).

* Canadian Wheat Board Pool Return Outlook - March 23, 2006

** Canadian Wheat Board Pool Return Outlook - April 27, 2006

F: Forecast; Agriculture and Agri-Food Canada - April 28, 2006

Source: Statistics Canada, Cereals and Oilseeds Review Series, Cat. No. 22-007



CANADA: PULSE AND SPECIAL CROPS OUTLOOK

April 28, 2006

For 2006-07, the total area seeded to pulse and special crops in Canada is expected to decrease by 14% from 2005-06, as higher areas for dry peas, chickpeas, sunflower seed and buckwheat are more than offset by lower areas for lentils, dry beans, mustard seed and canary seed. Statistics Canada's (STC) seeding intentions survey, conducted during March 17-31 and released on April 25, provided estimates for most pulse and special crops by province, but in some cases the area seeded has been forecast by AAFC. The actual seeded areas may differ from the intentions due to changes in the market outlook and expected prices, producer reaction to the STC seeding intentions report and soil moisture conditions at the time of seeding. To date, only a small amount of seeding has been completed. It is assumed that precipitation will be normal for the seeding, growing and harvest periods, and that the abandonment rate and quality will be normal. Trend yields are assumed for both western and eastern Canada, as soil moisture reserves are good in most areas, although there are dry areas in northern Alberta and areas of excessive moisture in Manitoba and Saskatchewan.

Total production in Canada is forecast to decrease by 17%, from 2005-06, to 4.41 million tonnes (Mt). Total supply is expected to decrease by 12% to 5.90 Mt, as higher carry-in stocks offset some of the decrease in production. Exports and carry-out stocks are forecast to decrease because of lower supply. Average prices, over all types, grades and markets, are forecast to increase for dry peas, lentils, mustard seed and canary seed, decrease for dry beans and chickpeas, and be the same for sunflower seed and buckwheat. The main factors to watch are weather conditions, especially precipitation, during the seeding, growing and harvest periods in Canada. Other factors to watch are the exchange rates of the Canadian dollar against the US dollar and other currencies, ocean shipping rates and growing conditions in the major producing regions, especially the United States, the European Union, Turkey, Australia, India and Mexico.

DRY PEAS

For 2006-07, production and supply are forecast to decrease, as lower yields more than offset the 2% increase in seeded area. Production is expected to decrease for yellow, green and other types. World supply is expected to increase only slightly to 12.3 Mt as higher production, mainly in the US and EU, is mostly offset by lower carry-in stocks. Canadian exports are forecast to decrease because of lower Canadian supply and lower demand in the EU feed markets, while domestic use increases marginally. Carry-out stocks are forecast to decrease, with a s/u of 6%. The average price, over all types, grades and markets, is expected to be slightly higher than in 2005-06 due to the lower Canadian supply.

LENTILS

For 2006-07, production and supply are forecast to decrease sharply due to a 40% lower seeded area and lower yields. Production is expected to decrease sharply for large, medium and small green lentils. Although the seeded area is forecast to increase for red lentils, production is expected to decrease moderately due to lower trend yields. Carry-in stocks are forecast to be high for green lentils, but low for red lentils. World supply is forecast to decrease by 5% to 4.4 Mt. Canadian exports are expected to remain relatively stable and carry-out stocks are forecast to decrease sharply, with a s/u of 43%. The average price, over all types and grades, is forecast to increase because of the lower supply.

DRY BEANS

For 2006-07, production and supply are expected to decrease, as a 20% lower seeded area more than offsets lower abandonment and higher yields. Production is forecast to decrease for dark red kidney and cranberry

beans, and remain relatively stable for white pea, Great Northern, pinto, light red kidney, black, small red and pink beans. In the US, production is expected to decrease by 4% to 1.13 Mt, while supply increases by 3% to 1.37 Mt due to higher carry-in stocks. Canadian exports are forecast to decrease due to the lower supply. Carry-out stocks are expected to decrease, with a s/u of 6%. The average price, over all classes and grades, is forecast to decrease because of the higher US supply.

CHICKPEAS

For 2006-07, production and supply are forecast to increase, as a 51% higher seeded area more than offsets lower yields. Production is expected to increase for all types, large kabuli, small kabuli and desi. World supply is expected to decrease by 3% to 9.0 Mt, as an increase for the kabuli type is more than offset by a decrease for the desi type. Although Canadian exports are forecast to increase because of the higher supply, carry-out stocks are expected to rise, with a s/u of 21%. The average price, over all types and grades, is forecast to decrease due to higher world supply of the kabuli type, which accounts for about 85% of Canadian production.

MUSTARD SEED

For 2006-07, production and supply are forecast to decrease because of a 22% lower seeded area and lower yields. Production is expected to decrease for all types, yellow, brown and oriental. A significant portion of the carry-in stocks is expected to be low quality seed. Exports are expected to rise due to higher demand and carry-out stocks are forecast to decrease, with a s/u of 51%. The average price, over all types and grades, is expected to increase due to the lower supply.

CANARY SEED

For 2006-07, production and supply are forecast to decrease due to a 34% lower seeded area and lower yields. World supply is forecast to decrease by 21% to 345,000 t. Canadian exports are expected to remain stable in line with stable demand, while carry-out stocks decrease, with a s/u of 45%. The average price is forecast to increase because of the lower supply.

SUNFLOWER SEED

For 2006-07, production and supply are forecast to increase due to a 10% higher seeded area, lower abandonment and higher yields. US supply is expected to decrease by 15% to 1.63 Mt. World supply is forecast to decrease slightly to 30.2 Mt. Canadian exports are forecast to increase because of the higher supply. Carry-out stocks are expected to increase, with a s/u of 13%. The average price is forecast to be the same as in 2005-06, as pressure from higher Canadian supply is offset by support from lower US supply.

BUCKWHEAT

For 2006-07, Canadian production and supply are forecast to remain stable, as a higher seeded area is offset by lower yields. The average price is expected to be the same as in 2005-06.

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CANADA: PULSE AND SPECIAL CROPS SUPPLY AND DISPOSITION

April 28, 2006

Grain and Crop Year (a)	Area Seeded thousand ha	Area Harvested thousand ha	Yield t/ha	Production	Imports (b)	Total Supply	Exports (b)	Total Domestic Use (d)	Carry-out Stocks	Average Price (e) \$/t
-----thousand metric tonnes-----										
Dry Peas										
2002-2003	1,297	1,050	1.30	1,365	41	1,681	626	745	310	210
2003-2004	1,303	1,271	1.67	2,124	24	2,458	1,316	937	205	175
2004-2005	1,388	1,345	2.48	3,338	57	3,600	1,853	1,152	595	135
2005-2006f	1,366	1,319	2.35	3,100	90	3,785	2,300	1,185	300	105-135
2006-2007f	1,398	1,349	2.19	2,950	100	3,350	1,950	1,200	200	110-140
Lentils										
2002-2003	601	387	0.91	354	9	494	320	119	55	390
2003-2004	554	536	0.97	520	5	580	367	175	38	420
2004-2005	778	750	1.28	962	10	1,010	451	314	245	310
2005-2006f	884	862	1.48	1,278	10	1,533	635	298	600	220-250
2006-2007f	535	508	1.23	625	10	1,235	640	225	370	245-275
Dry Beans										
2002-2003	230	219	1.89	414	40	489	298	96	95	445
2003-2004	167	167	2.13	356	31	482	344	83	55	495
2004-2005	163	126	1.75	220	28	303	277	21	5	650
2005-2006f	200	177	1.84	326	40	371	300	46	25	485-515
2006-2007f	159	156	1.92	300	30	355	290	45	20	465-495
Chickpeas										
2002-2003	221	154	1.01	156	9	345	105	160	80	300
2003-2004	63	63	1.08	68	2	150	74	51	25	330
2004-2005	47	39	1.31	51	4	80	47	28	5	385
2005-2006f	79	73	1.42	104	5	114	70	34	10	470-500
2006-2007f	119	110	1.18	130	5	145	85	35	25	395-425
Mustard Seed										
2002-2003	289	255	0.60	154	9	196	114	22	60	595
2003-2004	340	328	0.69	226	2	288	121	75	92	390
2004-2005	317	304	1.01	306	1	399	119	86	194	295
2005-2006f	212	206	0.98	201	1	396	130	81	185	255-285
2006-2007f	166	160	0.88	140	1	326	140	76	110	275-305
Canary Seed										
2002-2003	287	227	0.78	176	0	206	160	26	20	575
2003-2004	251	243	0.93	226	0	246	165	14	67	345
2004-2005	356	318	0.95	301	0	368	163	35	170	230
2005-2006f	190	186	1.22	227	0	397	175	37	185	175-205
2006-2007f	126	120	1.00	120	0	305	175	35	95	195-225
Sunflower Seed										
2002-2003	100	95	1.65	157	21	200	105	60	35	440
2003-2004	119	115	1.30	150	16	201	96	80	25	405
2004-2005	87	59	0.92	54	35	114	32	64	18	490
2005-2006f	93	75	1.19	89	25	132	45	72	15	330-360
2006-2007f	102	96	1.46	140	20	175	80	75	20	330-360
Buckwheat										
2002-2003	12	12	1.00	12	1	16	6	7	3	340
2003-2004	9	9	1.11	10	1	14	5	7	2	355
2004-2005	9	7	0.71	5	1	8	4	4	0	355
2005-2006f	7	6	1.33	8	1	9	4	5	0	340-370
2006-2007f	8	7	1.14	8	1	9	4	5	0	340-370
Total Pulse And Special Crops (c)										
2002-2003	3,036	2,399	1.16	2,788	130	3,627	1,734	1,235	658	
2003-2004	2,805	2,732	1.35	3,680	81	4,419	2,488	1,422	509	
2004-2005	3,145	2,948	1.78	5,237	136	5,882	2,946	1,704	1,232	
2005-2006f	3,031	2,904	1.84	5,333	172	6,737	3,659	1,758	1,320	
2006-2007f	2,613	2,506	1.76	4,413	167	5,900	3,364	1,696	840	

(a) August-July crop year.

(b) Excludes products.

(c) Includes Pulse Crops (dry peas, lentils, dry beans, chick peas) and Special Crops (mustard seed, canary seed, sunflower seed, buckwheat)

(d) Includes food, feed, seed, waste and dockage. Total domestic use is calculated residually.

(e) Producer price, FOB plant. Average over all types, grades and markets.

f. forecast, Agriculture and Agri-Food Canada, April 28, 2006

Source: Statistics Canada and industry consultations.

A. SELLING PRICE OF BULK FEED INGREDIENTS AT SELECTED POINTS

May 1, 2006

SELECTED POINT	REFERENCE PERIOD	PRICE BASIS	(1) WHEAT	OATS	BARLEY	CORN	PRICE BASIS	SOYBEAN MEAL	CANOLA MEAL	MILL-FEEDS	MEAT MEAL	FISH MEAL	ANIMAL FAT	GLUTEN MEAL	GLUTEN FEED	FEED PEAS	DEHY ALFALFA	FEATHER MEAL
Vancouver	May 1, 2006	FOB	136.00	N/A	135.00	142.00		262.00	147.00	105.00		950.00	420.00					385.00
BC (4) (7)	April 24, 2006		136.00	N/A	135.00	142.00		261.50	145.50	108.00		950.00	420.00					385.00
Calgary	May 1, 2006	FOB	105.00	N/A	109.00	135.00		252.50			105.00	1000.00	430.00					380.00
AB (4)	April 24, 2006		105.00	N/A	109.00	135.00		252.50			105.00	1000.00	430.00					380.00
Saskatoon	May 1, 2006	FOB	100.00	133.00	90.00	129.00		256.00	N/A		115.00	N/A	430.00		123.67			410.00
SK (4)	April 24, 2006		100.00	130.00	90.00	125.00		255.50	N/A		115.00	N/A	430.00		120.67			410.00
Winnipeg	May 1, 2006	FOB	142.00	140.00	113.00	115.00		238.00	N/A		260.00	1087.50	525.00					370.00
MB (4) (9)	April 24, 2006		141.00	140.00	111.50	113.00		237.50	N/A		260.00	1087.50	525.00					370.00
Thunder Bay	May 1, 2006	In-Store	132.00	N/A	108.00													
ON (8)	April 24, 2006		127.50	N/A	108.00													
Lake Ports	May 1, 2006	On Board				109.82												
USA (3)	April 24, 2006	Vessel				104.99												
Bay Ports	May 1, 2006	In-Store	155.75	205.00	132.00													
ON	April 24, 2006		155.50	205.00	132.00													
Chatham	May 1, 2006	Track				115.97												
ON	April 24, 2006					115.30												
Toronto	May 1, 2006	N/A					FOB				171.00	N/A	390.00	425.00	114.00		285.00	340.00
ON (5)	April 24, 2006										171.00	N/A	390.00	425.00	114.00		285.00	340.00
Hamilton	May 1, 2006	N/A						249.12	N/A									
ON	April 24, 2006							248.02	N/A									
Eastern	May 1, 2006	FOB				115.00												
ON	April 24, 2006					116.50												
London	May 1, 2006	FOB												425.00	114.00			
ON	April 24, 2006													425.00	114.00			
Port Colborne	May 1, 2006	FOB								49.00				425.00	114.00			
ON	April 24, 2006									50.00				425.00	114.00			
Cardinal	May 1, 2006	FOB												425.00	114.00			
ON	April 24, 2006													425.00	114.00			
Montreal	May 1, 2006		160.00	150.00	145.00	132.00		254.38	174.58	78.33	175.00	850.00	401.50	425.00	114.00		270.00	320.00
QC (5)	April 24, 2006		160.00	150.00	145.00	125.00	FOB	255.94	182.38	86.67	175.00	850.00	401.50	425.00	114.00		270.00	320.00
Trois-Rivières	May 1, 2006	In-Store	176.00		150.50	N/A												
QC	April 24, 2006		164.50		146.60	N/A												
St. Jean QC (2)	May 1, 2006	FOB	148.88	136.50	132.88	124.16		247.53										
St. Hyacinthe QC	April 24, 2006		145.63	135.00	133.90	123.06		247.38										
Quebec	May 1, 2006	In-Store	159.50	N/A	159.65	133.03		253.92	203.17									
QC	April 24, 2006		158.17	N/A	160.81	135.79		256.78	199.37									
Truro	May 1, 2006	Track	189.62	145.00	172.00	160.62		294.62	210.07				532.00	236.30				330.00
NS	April 24, 2006		189.91	120.00	172.00	163.89	FOB	295.90	210.07				532.00	236.30				330.00
Truro	May 1, 2006	Water	N/A	N/A	N/A	N/A												
NS	April 24, 2006	& Truck	N/A	N/A	N/A	N/A												
Halifax	May 1, 2006	In-Store	172.95	N/A	N/A	176.60		320.20	240.90	297.50			N/A					
NS (6)	April 24, 2006		168.70	N/A	N/A	179.35		321.80	245.90	297.50			N/A					

Source: Market Analysis Division, Agriculture and Agri-Food Canada; Thunder Bay prices are based on the Winnipeg Commodity Exchange (WCE) market close

US\$1.00 = CAN\$ 1.1203

Closing date April 26/2006

Contact: Corinne Bruneau Statistical Clerk Telephone: (204) 983-0581 Fax: (204) 983-5524 Email: bruneau@agr.gc.ca N/A = not available

Footnotes: All prices in Canadian dollars per metric tonne based on survey respondents

Grain grades (unless otherwise specified) are: Western or Eastern Feed Wheat Feed Oats. No.1 Canada Western or Eastern Barley No.2 Canada Yellow Corn No.3 US Yellow Corn. Soybean Meal 48 % Protein. Canola Meal based on minimum standard of 35% Protein Fish Meal: white fish and/or herring meal Gluten Meal 60% Protein Gluten Feed 21% Protein.

(1) Wheat 3CWRs (2) Canadian Corn #3 or #2 (3) US Corn (4) Fish Meal from West Coast 63% Protein (5) Fish Meal 60% Protein (6) Herring Fish Meal (7) Fraser Valley (8) Wheat & Barley (Basis - Cash Price WCE) (9) Oats 3CW

B. CASH PRICES AND REPLACEMENT VALUES

May 1, 2006

PRAIRIE GRAINS

Selected Points	Price Basis		This week 1-May-06	Last week 18-Apr-06	Month ago 3-Apr-06	Year Ago 2-May-05
From: Thunder Bay(WCE) (2)	In-Store	Wheat	132.00	124.00	122.00	106.00
(CBOT)		Oat	190.40	174.60	173.40	142.50
(Lethbridge)		Barley	113.00	107.00	111.00	112.00
To: Bayport, ON (1)	In-store	Wheat	155.61	147.61	145.61	129.61
		Oat	N/A	N/A	N/A	N/A
		Barley	140.39	134.39	138.39	139.39
Montreal, QC (1)	In-store	Wheat	160.03	152.03	150.03	134.03
		Oat	N/A	N/A	N/A	N/A
		Barley	145.31	139.31	143.31	144.31
Moncton, NB	Truck via Halifax	Wheat	182.25	174.25	172.25	156.25
		Oat	N/A	N/A	N/A	N/A
		Barley	169.50	163.50	167.50	168.50
Truro, NS	Truck via Halifax	Wheat	176.22	168.22	166.22	150.22
		Oat	N/A	N/A	N/A	N/A
		Barley	167.00	161.00	165.00	166.00
Halifax, NS (1)	In-store	Wheat	167.28	159.28	157.28	141.28
		Oat	N/A	N/A	N/A	N/A
		Barley	153.30	147.30	151.30	152.30
Stephenville, NL	Track / Truck via Sydney	Wheat	230.63	222.63	220.63	204.63
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A
Melfort, SK		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Bayport, ON		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Montreal, QC		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Moncton, NB		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Truro, NS		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track / Truck via Sydney	Barley	N/A	N/A	N/A	N/A
Stephenville, NL		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A

Selected Points	Price Basis		This week 1-May-06	Last week 18-Apr-06	Month Ago 3-Apr-06	Year Ago 2-May-05
Corn						
From: US Lake Port	On Board Vessel		109.82	106.35	108.80	104.16
To: Montreal, QC (1)	In-store		128.86	125.39	127.84	123.20
From: Chicago (IL)	Track		112.91	108.16	112.41	108.12
To: Montreal, QC	Track		141.77	137.02	141.27	136.98
From: Chatham, ON	Track		115.97	117.78	118.86	109.00
To: Montreal, QC	Track		139.84	141.65	142.73	132.87

Soymeal 48% Protein						
From: Hamilton, ON			249.12	258.49	251.43	215.17
To: Montreal, QC	Track		273.45	282.82	275.76	239.50
Moncton, NB	Track		292.20	301.57	294.51	258.25
Truro, NS	Track		295.42	304.79	297.73	261.47
Stephenville, NL	Track / Truck via Sydney		344.05	353.42	346.36	310.10

1. Prices include ONE month of storage and interest charges n/a = not available
2. Thunder Bay prices are based on the Winnipeg Commodities Exchange market close (Cash price)

Source: Market Analysis Division, Agriculture and Agri-Food Canada

Contact: Corinne Bruneau: Statistical Clerk (204) 983-0581 Fax: (204) 983-5524 e-mail: bruneauc@agr.gc.ca

Footnotes: All prices quoted in Canadian dollars per metric tonne.

Grain grades (unless otherwise specified) are: Canada Western Feed Wheat, Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn.

Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec.

Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable

A. SELLING PRICE OF BULK FEED INGREDIENTS AT SELECTED POINTS

April 18, 2006

SELECTED POINT	REFERENCE PERIOD	PRICE BASIS	(1) WHEAT	OATS	BARLEY	CORN	PRICE BASIS	SOYBEAN MEAL	CANOLA MEAL	MILL- FEEDS	MEAT MEAL	FISH MEAL	ANIMAL FAT	GLUTEN MEAL	GLUTEN FEED	FEED PEAS	DEHY ALFALFA	FEATHER MEAL
Vancouver	April 18, 2006	FOB	135.00	N/A	135.00	217.50		269.00	150.00	103.00		950.00	420.00					375.00
BC (4) (7)	April 10, 2006		134.00	N/A	132.00	218.00		263.00	144.00	112.00		925.00	440.00					375.00
Calgary	April 18, 2006	FOB	103.00	N/A	108.00	162.00		259.50			105.00	1000.00	430.00					380.00
AB (4)	April 10, 2006		103.00	N/A	109.00	164.00		257.00			105.00	1000.00	450.00					380.00
Saskatoon	April 18, 2006	FOB	100.00	130.00	90.00	147.00		262.00	N/A		115.00	N/A	430.00			117.67		410.00
SK (4)	April 10, 2006		100.00	130.00	90.00	149.00		259.50	N/A		115.00	N/A	450.00			117.67		410.00
Winnipeg	April 18, 2006	FOB	142.00	140.00	112.50	137.00		244.00	N/A		260.00	1087.50	525.00					370.00
MB (4) (9)	April 10, 2006		141.50	140.00	112.00	139.00		241.50	N/A		260.00	1062.50	525.00					370.00
Thunder Bay	April 18, 2006	In-Store	126.50	N/A	107.50													370.00
ON (8)	April 10, 2006		124.00	N/A	108.00													
Lake Ports	April 18, 2006	On Board				106.35												
USA (3)	April 10, 2006	Vessel				108.80												
Bay Ports	April 18, 2006	In-Store	156.50	200.00	140.00													
ON	April 10, 2006		150.25	205.00	140.00													
Chatham	April 18, 2006	Track				117.78												
ON	April 10, 2006					118.86												
Toronto	April 18, 2006	N/A					FOB				171.00	N/A	390.00	425.00	114.00		285.00	330.00
ON (5)	April 10, 2006										171.00	N/A	400.00	425.00	114.00		285.00	325.00
Hamilton	April 18, 2006	N/A						258.49	N/A									
ON	April 10, 2006							251.43	N/A									
Eastern	April 18, 2006	FOB				111.46												
ON	April 10, 2006					117.50												
London	April 18, 2006	FOB								54.00				425.00	114.00			
ON	April 10, 2006									62.50				425.00	114.00			
Port Colborne	April 18, 2006	FOB												425.00	114.00			
ON	April 10, 2006													425.00	114.00			
Cardinal	April 18, 2006	FOB												425.00	114.00			
ON	April 10, 2006													425.00	114.00			
Montreal	April 18, 2006		160.00	150.00	145.00	138.00		262.47	188.93	88.33	175.00	850.00	401.50	425.00	114.00		270.00	320.00
QC (5)	April 10, 2006		155.00	150.00	145.00	135.00	FOB	255.32	181.40	88.33	175.00	850.00	407.00	425.00	114.00		270.00	330.00
Trois-Rivières	April 18, 2006	In-Store	163.00		148.00	N/A												
QC	April 10, 2006		162.70		148.80	N/A												
St. Jean QC (2)	April 18, 2006	FOB	146.00	135.00	135.75	131.03		248.84										
St. Hyacinthe QC	April 10, 2006		143.68	135.00	134.45	131.06		245.29										
Quebec	April 18, 2006	In-Store	157.67	N/A	161.34	139.51		264.18	200.37									
QC	April 10, 2006		154.57	N/A	161.64	140.37		257.41	195.80									
Truro	April 18, 2006	Track	187.21	120.00	172.40	171.54		291.88	202.02		236.30		543.00					330.00
NS	April 10, 2006		187.03	120.00	169.80	174.00	FOB	295.68	205.44		236.30		543.00					330.00
Truro	April 18, 2006	Water	N/A	N/A	N/A	N/A												
NS	April 10, 2006	& Truck	N/A	N/A	N/A	N/A												
Halifax	April 18, 2006	In-Store	168.20	N/A	N/A	183.25		319.50	235.70	297.50		1,150.00	N/A					
NS (6)	April 10, 2006		168.15	N/A	N/A	182.95		323.45	236.15	297.50		1,150.00	N/A					

Source: Market Analysis Division. Agriculture and Agri-Food Canada; Thunder Bay prices are based on the Winnipeg Commodity Exchange (WCE) market close

US\$1.00 = CAN\$1.152

Closing date April 13/2006

Contact: Market Bruneau Statistical Clerk. Telephone: (204) 983-0581 Fax: (204) 983-5524 Email: bruneau@agr.gc.ca

N/A = not available

Footnotes: All prices in Canadian dollars per metric tonne based on survey respondents.

Grain grades (unless otherwise specified) are: Western or Eastern Feed Wheat. Feed Oats. No.1 Canada Western or Eastern Barley. No.2 Canada Yellow Corn. No.3 US Yellow Corn. Soybean Meal 48 % Protein. Canola Meal based on minimum standard of 35% Protein. Fish Meal: white fish and/or herring meal. Gluten Meal 60% Protein. Gluten Feed 21% Protein.

(1) Wheat 3CWRS (2) Canadian Corn #3 or #2 (3) US Corn (4) Fish Meal from West Coast 63% Protein (5) Fish Meal 60% Protein (6) Herring Fish Meal (7) Fraser Valley (8) Wheat & Barley (Basis - Cash Price WCE) (9) Oats 3CW

B. CASH PRICES AND REPLACEMENT VALUES

April 18, 2006

PRAIRIE GRAINS

Selected Points	Price Basis		This week 18-Apr-06	Last week 3-Apr-06	Month ago 6-Mar-06	Year Ago 18-Apr-05
From: Thunder Bay(WCE) (2)	In-Store	Wheat	124.00	122.00	118.00	106.00
(CBOT)		Oat	174.60	173.40	189.25	154.00
(Lethbridge)		Barley	107.00	111.00	106.00	114.00
To: Bayport, ON (1)	In-store	Wheat	147.61	145.61	141.61	129.61
		Oat	N/A	N/A	N/A	N/A
		Barley	134.39	138.39	133.39	141.39
Montreal, QC (1)	In-store	Wheat	152.03	150.03	146.03	134.03
		Oat	N/A	N/A	N/A	N/A
		Barley	139.31	143.31	138.31	146.31
Moncton, NB	Truck via Halifax	Wheat	174.25	172.25	168.25	156.25
		Oat	N/A	N/A	N/A	N/A
		Barley	163.50	167.50	162.50	170.50
Truro, NS	Truck via Halifax	Wheat	168.22	166.22	162.22	150.22
		Oat	N/A	N/A	N/A	N/A
		Barley	161.00	165.00	160.00	168.00
Halifax, NS (1)	In-store	Wheat	159.28	157.28	153.28	141.28
		Oat	N/A	N/A	N/A	N/A
		Barley	147.30	151.30	146.30	154.30
Stephenville, NL	Track / Truck via Sydney	Wheat	222.63	220.63	216.63	204.63
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A
Melfort, SK		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Bayport, ON		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Montreal, QC		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Moncton, NB		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Truro, NS		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track / Truck via Sydney	Barley	N/A	N/A	N/A	N/A
Stephenville, NL		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A
Selected Points	Price Basis		This week 18-Apr-06	Last week 3-Apr-06	Month Ago 6-Mar-06	Year Ago 18-Apr-05
Corn						
From: US Lake Port	On Board Vessel		106.35	108.80	109.27	101.82
To: Montreal, QC (1)	In-store		125.39	127.84	128.31	120.86
From: Chicago (IL)	Track		108.16	112.41	104.80	105.24
To: Montreal, QC	Track		137.02	141.27	133.66	134.10
From: Chatham, ON	Track		117.78	118.86	117.32	106.23
To: Montreal, QC	Track		141.65	142.73	141.19	130.10

Soymeal 48% Protein

From: Hamilton, ON			258.49	251.43	257.50	279.43
To: Montreal, QC	Track		282.82	275.76	281.83	303.76
Moncton, NB	Track		301.57	294.51	300.58	322.51
Truro, NS	Track		304.79	297.73	303.80	325.73
Stephenville, NL	Track / Truck via Sydney		353.42	346.36	352.43	374.36

1. Prices include ONE month of storage and interest charges n/a = not available

2. Thunder Bay prices are based on the Winnipeg Commodities Exchange market close (Cash price)

Source: Market Analysis Division, Agriculture and Agri-Food Canada

Contact: Corinne Bruneau: Statistical Clerk (204) 983-0581 Fax: (204) 983-5524 e-mail: bruneauc@agr.gc.ca

Footnotes: All prices quoted in Canadian dollars per metric tonne.

Grain grades (unless otherwise specified) are: Canada Western Feed Wheat, Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn.

Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec.

Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable



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RYE: SITUATION AND OUTLOOK

World production of rye has decreased significantly over the last several decades, due to a steady decline in food and feed uses. Canadian production and exports of rye have also declined significantly since the early 1980s. For 2006-2007, Canadian farm prices for rye are forecast to increase, due to lower Canadian rye production and higher coarse grain prices. In addition, policy reform for rye in the European Union (EU) has removed some of the incentives to produce rye in the EU, which is expected to support rye prices and improve export opportunities for Canada, particularly in the US and Japan.

Rye is a hardy cereal grain which can endure a variety of climates, surviving even in sub-zero temperatures. It is a tough, drought tolerant crop, harder than winter wheat and grows well in erosion prone soil, making it useful to prevent erosion. Rye competes well with weeds therefore reducing reliance on herbicides, and also requires fewer inputs than other crops. Area seeded to rye in the world peaked in the 1950s and has trended downward due mainly to declining demand.

World rye production has decreased by nearly 60%, from 35.6 million tonnes (Mt) in 1960-1961 to 14.5 Mt in 2005-2006 due mainly to declining demand of rye for food and feed. This trend reversed to some extent during the 1980s but has accelerated since the 1990s. In Canada, rye production has decreased by over 60% from the peak of 933 thousand tonnes (kt) in 1982-1983, to 359 kt in 2005-2006.

World food and other non-feed uses of rye have declined by over 50%, from 23.2 Mt in 1960-1961 to 10.8 Mt in 2005-2006. During the same period, world feed use for rye has decreased by nearly 60%, from 12.4 Mt to 5.0 Mt. In the EU, rye has recently started to be used in the production of ethanol.

The food processing industry uses rye flour to make bread and other baked products. Rye is generally considered to be inferior to wheat in the industry because the dough made of rye lacks the essential elasticity and has lower gas retention capacity. Rye bread has a

shorter shelf life than wheat bread. Rye is also an ingredient in the production of distilled whiskey and vodka. However, distillers tend to only use enough rye to obtain sufficient flavour, while other grains, such as corn, are used as the major source for starch.

Rye is fed to livestock animals as grain, hay or forage. The livestock industry perceived grain rye as having a lower feed value than other grain, due to the presence of ergot, anti-nutritional effects of *pentosans*, a lack of palatability and reduced feed intake, the vulnerability to test weight losses and sprout and heat damage.

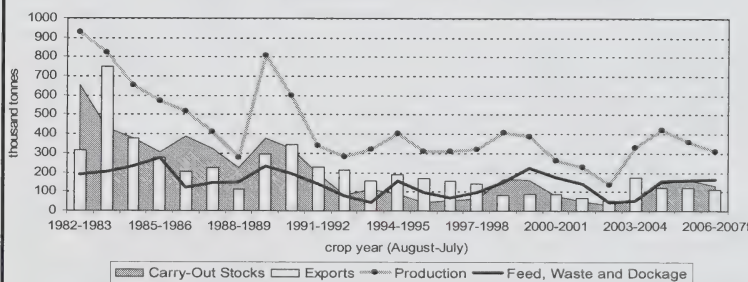
Rye is also planted for forage and silage because of its relatively low input requirements. However, rye is a poor quality forage and part of the decline in the area seeded to rye has been due to increased substitution of triticale (a cross

between durum wheat and rye) for rye as forage. Triticale has the hardiness and low input characteristics of rye but is more palatable to livestock as stored forage, dried or as silage.

WORLD PRODUCTION

For 2005-2006, world rye production decreased to 14.5 Mt, from 17.0 Mt in 2004-2005. The EU-25 remains the largest rye producer at 7.7 Mt, or 53% of world production, of which Poland and Germany produced 3.4 and 2.8 Mt, respectively. The elimination of price support may have played a role in lowering EU production. Russia, Belarus Ukraine and China are the other major producers, with production at 3.6 Mt, 1.2 Mt, 1.1 Mt and 0.6 Mt, respectively. Canada is a relatively small producer of rye and production decreased from 418 kt in 2004-2005 to 359 kt in 2005-2006.

CANADA: RYE SUPPLY AND DISPOSITION



f. forecast, AAFC, May 2006
Source: Statistics Canada

IMPORTERS

World rye imports are forecast to decrease from 973 kt in 2004-2005 to 530 kt in 2005-2006. Japan and the US are the major importers, accounting for 47% and 19% of world imports, respectively. Israel, South Korea, Russia and Turkey are minor importers.

Japan

Japan has been the world's largest and most consistent importer of rye, with most of the imports used as cattle and swine feed. Rye imports are, therefore, strongly influenced by the market situation in domestic livestock industries. In addition, Japanese agricultural policies on other cereal grains, which are substitutes for rye as animal feed, also have a significant impact on Japanese rye consumption and world rye trade.

While imports of wheat and barley into Japan are regulated by the Japanese Food Agency, the Japanese rye market is largely open. As a result, rye prices in Japan reflect world market prices and are, therefore, lower than regulated prices for wheat and barley, making rye an affordable feed ingredient.

Since the early 1990s, Japanese imports from the EU have increased significantly, while imports from Canada decreased correspondingly. Japanese Imports from Canada peaked at 264 kt in 1990-1991 but were almost zero in 2001-2002.

In 2004-2005, Japan imported 261 kt of rye, of which nearly 240 kt, or over 90%, were from Germany. Canada, the second largest exporter, supplied 22 kt. For 2005-2006, total imports by Japan are forecast by the United States Department of Agriculture (USDA) to decrease to 250 kt.

United States

The US plays a minor role in world rye production. Over the past 10 years, US production decreased steadily, from 227 kt in 1996-1997 to 191 kt in 2005-2006. Unfavourable government policies are one of the major factors contributing to rapid decline in domestic supplies.

As domestic production decreases at a more rapid pace than consumption, the US became the second largest rye importer in the world. US rye

imports from all origins have averaged about 115 kt over the last decade, of which over 80% are from Canada. For 2005-2006, the US is forecast to import 100 kt of rye versus 174 kt in 2004-2005 and the 10-year average of 115 kt.

US imports of rye from Canada are destined primarily for processing facilities in Minnesota and Kentucky where it is used for milling and distilling, respectively. Steady US food use, as well as declining EU and US production, has helped to support Canadian rye exports. The US has become Canada's largest export market for rye, as the EU displaced Canada in the Japanese market.

EXPORTERS

World rye exports are expected to decrease from a high of 1.5 Mt in 2002-2003 to 530 kt for 2005-2006, of which 57%, or 300 kt, are from the EU. Canada is the second major exporter at 120 kt, or about 23% of world exports. Ukraine and Belarus export 50 kt each, with a combined share of 18% of world exports. Overall, exports from the EU, Ukraine and Canada are expected to decrease from last year.

European Union

Rye was eligible for intervention in the EU under the Common Agriculture Policy (CAP) until the 2004-2005 crop year. Under the EU intervention system, producers were able to sell their rye at the intervention price, which usually was significantly higher than the EU domestic market price. EU exporters have been allowed to purchase rye from intervention storage at prices well below the intervention price. During the 1999-2004 period, the export price was about €40/t,

or CAN\$60/t, lower than the intervention price.

During the period when rye prices were supported by the EU intervention system, the production of rye in the EU increased from an average of 5.6 Mt during 1993-1998 to an average of 10.1 Mt during 1999-2004. Due to the weak demand in internal and external markets, carry-out stocks of rye increased significantly and large intervention stocks accumulated. For 2003-2004, EU carry-out stocks for rye were 3.8 Mt, of which 3.3 Mt were intervention stocks, all of which was in Germany.

Due to the accumulation of burdensome stocks, rye was excluded from the EU intervention system in 2004-2005. This terminated the support price for rye and the flow of rye into intervention stocks. As a result, EU intervention stocks will soon be depleted. This is expected to lower EU production and exports and support world rye prices. For 2004-2005, despite higher production, total carry-out stocks in the EU decreased by 600 kt from 2003-04 to 3.2 Mt, of which 2.3 Mt were intervention stocks.

For 2005-2006, EU rye production decreased to 7.7 Mt, from 10.0 Mt in 2004-2005. EU exports, for the October – September year, are forecast by the USDA to decrease to 300 kt, from 676 kt in 2004-05, and EU carry-out stocks are expected to decrease to 1.9 Mt.

As of May 21, 2006, total sales of rye from EU intervention stocks have increased to 1.3 Mt for 2005-2006 (July-June), from 0.9 Mt for the same period of 2004-2005. Sales into the EU internal market increased significantly, from 43 kt to 995 kt, including 114 kt for ethanol production, while exports dropped sharply, from 661 kt to 328 kt. As a result, EU intervention stocks decreased from 2.3 Mt to 1.2 Mt.

Strong demand for rye within the EU has supported EU internal prices and reduced export supplies. In comparison to the buy-in price (intervention price) of €101/t (CAN\$142/t), sale prices of EU intervention stocks in recent month have been €70/t for exports, €75/t for transfer (from Germany to Spain), €108/t for sales to German domestic market

EU-25: RYE SUPPLY AND DISPOSITION

<i>crop year</i> <i>July-June</i>	2001 -2004*	2004 -2005	2005 -2006f	2006 -2007f
	.....thousand tonnes.....			
Carry-in Stocks	5,939	3,834	3,156	1,937
Production	9,329	9,966	7,671	7,502
Imports	316	14	10	10
Total Supply	15,584	13,814	10,837	9,449
Consumption	9,393	10,075	8,600	7,800
Exports	643	676	300	400
Total Use	10,036	10,751	8,900	8,200
Carry-out Stocks	5,514	3,156	1,937	1,249
Intervention Stocks	4,504	2,307	1,197	500
* average				
f: forecast, USDA and AAFC, May 2006				
Source: USDA and International Grains Council.				

and €80/t for sales of over 40 kt for bio-fuel production.

CANADA

Production

Historically, about 40% of Canadian rye production is in Saskatchewan, while Manitoba and Alberta each produces about 20%. Small amounts are also produced in eastern Canada, with most of that occurring in Ontario.

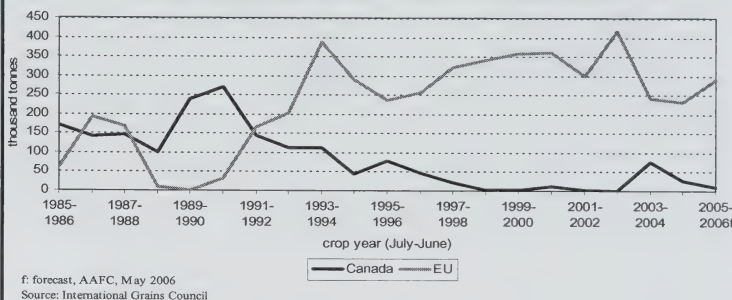
In Canada, most of the rye is planted in the fall (winter crop), but spring varieties are also grown. Fall rye has become increasingly important in Canada, as area seeded to spring rye declined from 15% of the total area seeded to rye in 1992-1993 to 7% in 2004-2005. Fall rye winterkill has nearly doubled, from 16% of the seeded area in early 1990s to over 30% in recent years. Fall rye retention rates have remained steady at around 90% of the area surviving the winter, which indicates that there is no significant increase in harvesting for hay or forage. Rye yields were similar to winter wheat until mid-1990s, when yields for winter wheat started to increase more rapidly.

For 2005-06, area seeded to fall rye in Canada decreased to 226 thousand hectares (kha), from 284 kha in 2004-05. Rye production decreased to 359 kt from 418 kt in 2004-2005. This compares to the 10-year average of 351 kt.

CANADA: RYE SUPPLY AND DISPOSITION

<i>crop year</i> <i>August-July</i>	2004 -2005	2005 -2006f	2006 -2007f
Harvested Area (kha)	165	148	135
Yield (t/ha)	2.53	2.42	2.30
.....thousand tonnes.....			
Carry-in Stocks	68	145	160
Production	418	359	310
Imports	1	1	1
Total Supply	487	505	471
Food & Industrial Use	48	48	48
Feed, Waste & Dockage	155	160	156
Seed and Other Use	17	17	17
Total Domestic Use	220	225	221
Exports	122	120	110
Carry-out Stocks	145	160	140
Average Farm Price, Saskatoon (\$/t)	69	80	80-100
f: forecast, AAFC, May 2006			
Source: Statistics Canada			

JAPAN: RYE IMPORTS FROM CANADA AND THE EUROPEAN UNION



Distilling

Canadian whiskey is well known for using rye for its starch and flavour. The distilling market is the largest commercial market for rye in Canada. Distillers tend to only use enough rye to obtain sufficient flavour for their products, and use other grains as the major source for starch. In some cases, the corn to rye ratio could reach 90:10. Alberta Distiller's Limited is the largest consumer of rye in Canada, while a few other distillers also use rye in smaller amounts. Industrial use for rye decreased from 55 kt in 1999-2000 to around 30 kt recently.

Milling

The other premium market for rye is the flour milling industry. However, this market is small, as only about 12 kt of rye are used as food in Canada. Rye is believed to have some positive health effects as it contains fibrous complex carbohydrates called *pentosans*, which may reduce certain types of cancer and heart disease. Research on the health benefits to humans is ongoing. Furthermore, based on USDA guidelines, rye is an excellent source of Iron, Magnesium, Selenium, Riboflavin and Folate.

Feed

The use of rye for feed has varied over the last 10 years, declining to the lowest level in 2002-2003 at 42 kt, due to a shortage of supply. Feed use increased to 155 kt in 2004-2005 and is forecast to increase to 160 kt in 2005-2006, due to large supplies.

The nutritional value of rye grain is similar to that of barley, wheat, corn, and triticale. Research on the pentosans of rye notes that they affect different classes of livestock in different ways. Enzymes may need to be used to help livestock digest pentosans contained in rye. Broiler chicks can tolerate no rye with or without the addition of hydrolytic enzymes. Laying hen can tolerate and can also benefit from the use of rye in the diet. Rye is a perfectly good and complementary ingredient to barley in swine diets. A second concern with rye is its susceptibility to ergot infection. The ergot fungus produces toxins that reduce feed conversion, or produce other symptoms that are even worse, if present in sufficient amounts. However, there are tolerances for various uses. In most rye samples ergot contamination is quite small.

Exports

Canada's role in world rye markets has decreased significantly since the early 1980s when Canada exported an average of over 400 kt of rye annually. Coinciding with the build up of EU intervention stocks, Canadian exports decreased to 235 kt in the late 1980s and 175 kt in the 1990s.

Throughout the 1990s, Canadian exports of rye to Japan decreased steadily while Japanese imports from the EU increased. The decrease in Canada's market share in Japan is largely attributable to the availability of low-priced, subsidized rye from the EU, and the general decrease in rye production in Canada.

Canadian exports were at very low levels during the 1998-1999 to 2002-2003 period and reached the lowest level of 53 kt in 2002-2003. Exports have since recovered to around 150 kt in the last few years.

For 2005-2006, Canadian rye exports are forecast to decrease to 120 kt, with 110 kt to the US and 10 kt to Japan. As of March 2006, Canada exported 78 kt of rye to the US and 7 kt to Japan.

PRICES

In western Canada, rye prices generally follow closely barley prices, as barley is the dominant coarse grain in the region. Rye is usually priced at a discount to barley, which, according to some in the industry, is not fully justified by the difference in feed values. Less consistency in both quantity and quality and lower efficiency in the market (high transaction costs and low liquidity) may have contributed to the discount in rye prices. The discounts have been very large in those years when rye supplies were abnormally high. Since the food and industrial use of rye is inelastic, most of the additional supply has to be absorbed, sooner or later, by the feed industry. Over the last 13 years, the average price for No.1 CW rye at Saskatoon was \$5/t below No.1 CW barley, ranging from a discount of \$33/t in 1998-1999 to a premium of \$27/t in 1996-1997. For 2005-2006, the average price for No.1 CW rye is forecast at \$80/t at Saskatoon.

Internationally, rye prices in 2005-2006 have been fairly strong as consumption outpaced production and world carry-out stocks have been steadily decreasing. In addition, lower intervention stocks in the EU may have also provided support to prices.

2006-2007 OUTLOOK

World

World rye production is forecast by the USDA to decrease by 9% from 2005-2006 to 13.2 Mt, mainly due to significantly lower production in Russia and Ukraine, as a result of poor growing conditions. Production in the EU and Canada is also expected to decrease. US production is forecast to increase to 213 kt from 191 kt in 2005-2006.

World trade is expected to increase by 7% from 2005-2006 to 565 kt, with imports by Japan decreasing slightly while imports by the US remain the same as 2005-2006. Imports by Russia and Ukraine are expected to increase. Exports by the EU are forecast to increase, despite lower

supplies, as the EU endeavours to deplete intervention stocks of rye. The increase in EU exports is expected to go to other European countries.

Canada

Area seeded to fall rye declined by 8%, from 226 kha in 2005-2006 to 207 kha in 2006-2007 because of increased competition from alternative crops. Yields are forecast to be lower than 2005-2006. As a result, Canadian rye production is forecast to decrease to 310 kt in 2006-2007, from 359 kt in 2005-2006. Due to lower production, supply in Canada is forecast to decrease by 7% in 2006-2007. Exports are forecast to decrease to 110 kt. Domestic use is expected to decrease due to lower feed use.

Prices

Lower intervention stocks in the EU may continue to provide some support for world rye prices. Higher expected US corn prices, lower barley production in Canada and the US, and lower rye production in Canada are expected to support rye prices in western Canada. The farm price for rye is forecast to average \$80-\$100/t, for No.1 CW rye at Saskatoon, \$10/t higher than in 2005-2006.

MEDIUM-TERM OUTLOOK

Rye production in Canada is not expected to decrease significantly from the 2006-2007 level, given its agronomic characteristics, relatively low input cost and the inelastic demand from food and industrial processing sectors in North America. These small food markets can be viewed as an opportunity for Canadian growers who are able to consistently produce high quality rye, and who can develop close relationships with buyers.

The increasing awareness of proper nutrition and a healthy diet in everyday life should help support consumer preferences for specialty products and healthy foods which subsequently might help to support demand.

With the removal of rye from the EU intervention system, rye production in the EU is expected to continue to decrease which will support world rye prices. However, the impact of the policy change is constrained by the

ability of EU rye producers to shift away from rye to other crops. This is especially the case for those growers who operate on marginal crop-land where alternative crops are very limited.

For Canada, less competition from the EU is expected to provide opportunities to regain market share in Japan and expand exports to the US. In addition, Canadian producers are expected to benefit from higher prices. However, the expansion of the industry will depend on new research and development activities in improving the agronomic and quality characteristics and end use performance of the crop.

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CANADA: GRAINS AND OILSEEDS OUTLOOK

May 30, 2006

Statistics Canada's (STC) survey of seeding intentions for 2006 indicated a significant increase, from 2005, in summerfallow, reflecting farmer uncertainty about seeding decisions at the time the survey was taken at the end of March. However, due to good moisture conditions and rising prices for spring wheat and canola over the past two months, Agriculture and Agri-Food Canada (AAFC) has increased the area forecast to be seeded to spring wheat, durum and canola from the STC intentions report. Also, AAFC has decreased the projected area seeded to corn from the STC report due to the removal of the anti-dumping/countervail duties on imports of corn from the US. It is assumed that precipitation will be normal for the growing and harvest periods, and that the abandonment rate and quality will be normal. Trend yields are assumed for both western and eastern Canada, as soil moisture reserves are good in most areas, although there are dry areas in northern Alberta and areas of excessive moisture in Manitoba and Saskatchewan.

The total production of grains and oilseeds in Canada is forecast by AAFC to decline by 6% from 2005-06, to 63 million tonnes (Mt), versus the 10-year average of about 60 Mt. Production is forecast to decline by 6%, to 47.9 Mt, in western Canada and by 5%, to 15.2 Mt, in eastern Canada. Total exports and total domestic use are expected to increase significantly and be 18% and 11% above the 10-year average, respectively. In general, wheat prices are expected to increase from 2005-06, while durum prices are expected to decrease. Prices for canola, feed barley and corn are expected to strengthen, but prices for soybeans and oats are forecast to decline. Prices will continue to be pressured by the strong Canadian dollar. The market outlook is very tentative due to the high degree of uncertainty regarding global supply and demand conditions. The major factors to watch are: weather and growing conditions in the major producing countries, import demand from China and India, EU export subsidies, increased demand for biofuel, ocean freight rates and the Canada/US exchange rate.

DURUM

For 2006-07, production is forecast to decline by 32% due to lower area seeded and yields. This is partly offset by higher carry-in stocks, much of which is lower quality durum. Supply is forecast to fall by 15% to 7.2 Mt, but remain about 10% above the 10-year average. Exports are expected to decrease by 11%, due to increased production in North Africa, the major importing region. Carry-out stocks are forecast to fall by 22%, but remain about 30% above the 10-year average. The Canadian Wheat Board (CWB) Pool Return Outlook (PRO) is below 2005-06 for most grades due to lower demand and the strong Canadian dollar. The discount of No.1 CWAD 11.5 durum to No.1 CWRs 11.5 wheat is projected at \$18/t, the largest on record.

WHEAT (ex-durum)

Production is forecast to rise by 8%, with the larger area only partly offset by lower expected yields. Supply is also expected to increase due to higher carry-in stocks. Exports are forecast to increase by 25% due to record production of 2.3 Mt in Ontario and increased supply of high quality wheat in western Canada. Wheat feeding is expected to decline, due to reduced supplies of feed wheat. Carry-out stocks are expected to decline by 10%, to a level close to the 10-year average. The CWB PRO for most grades/classes is up from 2005-06 due to higher world prices, which more than offset the strong Canadian dollar. However, the premiums for high protein No.1 CWRs are forecast to decrease due to the expected better quality of the 2006 Canadian crop.

BARLEY

Production is forecast to decrease by 10% due to lower area and yields. Supply is expected to decline by 11% because of lower carry-in stocks. Exports are forecast to decrease by 15%, as lower feed barley exports are only partially offset by higher exports of malting barley. Despite lower

exports and domestic feed use, carry-out stocks are expected to fall significantly as a result of lower supply. The average off-Board feed barley price (No.1 CW, in-store Lethbridge) is forecast to increase by \$20/t from 2005-06 to \$130/t. The CWB PRO for No. 1 CW feed barley for Pool A in 2006-07 is \$113/t, vs. \$117/t for Pool B in 2005-06. The CWB PRO for SS2R malting barley is \$161/t, down by \$9/t from 2005-06, pressured mainly by strong export competition from Australia.

CORN

Production is forecast to fall by 10% as a result of lower seeded area and yields. Imports are forecast to increase significantly, as a result of lower domestic supply and strong demand for ethanol production and animal feed. Carry-out stocks are forecast to drop by 22%. The average price at Chatham elevator is forecast to increase by \$20/t to \$120/t largely due to higher US corn prices.

OATS

Production is forecast to rise by 20% due to larger area and a return to normal abandonment rates. Supply is expected to increase as higher production more than offset lower carry-in stocks. Exports are forecast to rise marginally from 2005-06, as a result of strong US import demand. Feed use is expected to rise significantly, but carry-out stocks are projected to rise by about 20%. CBoT oat nearby futures prices are forecast to decrease by \$15/t from 2005-06 to \$125/t, narrowing the US price premium for oats over corn.

CANOLA

Production is forecast to decrease by 19% to 7.8 Mt because of lower area and yields. Supply is also expected to decrease significantly, but remain historically high, due to burdensome carry-in stocks. Exports and domestic crush are forecast to equal the record anticipated for 2005-06. Domestic crush is not expected to increase from 2005-06 due to constrained crush

capacity. Carry-out stocks are forecast to decrease significantly. Prices are expected to rise from the low of 2005-06, but will be pressured by lower US soyoil prices.

FLAXSEED (excluding solin)

Production is expected to rise marginally as higher area seeded more-than offsets the drop in yields. Supply is expected to rise sharply because of burdensome carry-in stocks resulting from high production in 2005-06 and low EU imports. Although exports and total domestic use are forecast to rise, carry-out stocks are expected to increase to 0.625 Mt, vs. the 10-year average of 0.2 Mt. As a result, prices are forecast to decline.

SOYBEANS

Production is forecast to decline by 2%, as lower yields more than offset the rise in area seeded. Supply is forecast to increase as a slight decline in domestic supply is more-than offset by higher imports. Exports are forecast to increase to a record high, while domestic crush increases slightly from 2005-06. Although carry-out stocks are forecast to decrease by 17%, prices are expected to continue to be pressured by low US soybean prices.

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CANADA: GRAINS AND OILSEEDS SUPPLY AND DISPOSITION

May 30, 2006

Grain and Crop Year (a)	Area Seeded thousand ha	Area Harvested thousand ha	Yield t/ha	Production	Imports (b)	Total Supply	Exports (c)	Food & Industrial Use (e)	Feed, Waste & Dockage	Total Domestic Use (d)	Carry-out Stocks	Average Price (f) \$/t
-----thousand metric tonnes-----												
Durum												
2004-2005	2,230	2,141	2.32	4,962	1	6,752	3,218	254	536	1,013	2,521	201
2005-2006F	2,341	2,297	2.58	5,915	1	8,436	4,100	255	701	1,136	3,200	179*
2006-2007F	1,840	1,800	2.22	4,000	1	7,201	3,700	260	541	1,001	2,500	174*
Wheat Except Durum												
2004-2005	8,169	7,722	2.71	20,898	13	25,203	11,593	2,845	4,521	8,138	5,471	190
2005-2006F	7,753	7,530	2.77	20,860	15	26,347	12,000	2,870	4,380	8,147	6,200	186*
2006-2007F	8,950	8,700	2.59	22,500	10	28,710	15,000	3,150	4,100	8,110	5,600	192*
All Wheat												
2004-2005	10,399	9,862	2.62	25,860	14	31,955	14,812	3,099	5,056	9,151	7,992	
2005-2006F	10,094	9,826	2.72	26,775	16	34,783	16,100	3,125	5,081	9,283	9,400	
2006-2007F	10,790	10,500	2.52	26,500	11	35,911	18,700	3,410	4,641	9,111	8,100	
Barley												
2004-2005	4,678	4,050	3.26	13,186	83	15,371	1,863	268	9,358	10,019	3,489	112
2005-2006F	4,440	3,889	3.21	12,481	40	16,010	2,700	260	9,645	10,310	3,000	100-120
2006-2007F	4,204	3,675	3.07	11,295	30	14,325	2,300	270	9,350	10,025	2,000	120-140
Corn												
2004-2005	1,185	1,072	8.24	8,837	2,422	12,401	242	2,395	7,951	10,358	1,802	100
2005-2006F	1,124	1,096	8.63	9,461	1,600	12,862	250	2,500	8,297	10,812	1,800	90-110
2006-2007F	1,100	1,065	7.97	8,485	3,300	13,585	200	3,300	8,670	11,985	1,400	110-130
Oats												
2004-2005	1,995	1,315	2.80	3,683	26	4,497	1,675	118	1,560	1,834	988	131
2005-2006F	1,853	1,326	2.59	3,432	15	4,435	1,700	140	1,525	1,835	900	130-150
2006-2007F	2,181	1,600	2.58	4,130	15	5,045	1,750	140	1,880	2,195	1,100	115-135
Rye												
2004-2005	284	165	2.53	418	1	487	122	48	155	220	145	69
2005-2006F	226	148	2.42	359	1	505	120	48	160	225	160	65-85
2006-2007F	207	135	2.30	310	1	471	110	48	156	221	140	80-100
Mixed Grains												
2004-2005	220	111	2.87	318	0	318	0	0	318	318	0	
2005-2006F	209	109	2.78	303	0	303	0	0	303	303	0	
2006-2007F	175	105	2.86	300	0	300	0	0	300	300	0	
Total Coarse Grains												
2004-2005	8,362	6,713	3.94	26,442	2,531	33,074	3,902	2,828	19,342	22,749	6,424	
2005-2006F	7,852	6,568	3.96	26,036	1,656	34,116	4,770	2,948	19,931	23,486	5,860	
2006-2007F	7,867	6,580	3.73	24,520	3,346	33,726	4,360	3,758	20,356	24,726	4,640	
Canola												
2004-2005	5,319	4,938	1.57	7,728	108	8,444	3,412	3,031	328	3,403	1,629	309
2005-2006F	5,491	5,253	1.84	9,660	125	11,415	5,000	3,400	470	3,915	2,500	260-290
2006-2007F	5,010	4,841	1.61	7,800	150	10,450	5,000	3,400	505	3,950	1,500	270-310
Flaxseed												
2004-2005	728	528	0.98	517	39	648	468	n/a	n/a	151	30	n/a
2005-2006F	842	803	1.35	1,082	40	1,152	475	n/a	n/a	227	450	265-285
2006-2007F	909	883	1.25	1,100	20	1,570	700	n/a	n/a	245	625	225-265
Soybeans												
2004-2005	1,229	1,178	2.59	3,048	393	3,581	1,122	1,610	457	2,190	270	248
2005-2006F	1,176	1,169	2.70	3,161	300	3,731	1,250	1,600	461	2,181	300	210-230
2006-2007F	1,271	1,244	2.50	3,110	350	3,760	1,350	1,650	410	2,160	250	195-235
Total Oilseeds												
2004-2005	7,277	6,643	1.70	11,293	540	12,674	5,002	4,641	927	5,743	1,929	
2005-2006F	7,510	7,225	1.92	13,904	465	16,298	6,725	5,000	931	6,323	3,250	
2006-2007F	7,189	6,968	1.72	12,010	520	15,780	7,050	5,050	915	6,355	2,375	
Total Grains And Oilseeds												
2004-2005	26,038	23,219	2.74	63,596	3,085	77,703	23,715	10,568	25,325	37,643	16,345	
2005-2006F	25,456	23,620	2.82	66,715	2,137	85,196	27,595	11,073	25,942	39,091	18,510	
2006-2007F	25,846	24,048	2.62	63,030	3,877	85,417	30,110	12,218	25,912	40,192	15,115	

(a) Crop year is August-July except corn and soybeans which are September-31 August.

(b) Excludes imports of products. (c) Includes exports of products for wheat, oats, barley, and rye. Excludes exports of oilseed products.

(d) Total Domestic Use = Food and Industrial Use + Feed Waste & Dockage + Seed Use

(e) Soybean food and industrial use is based on data from the Canadian Oilseed Processors Association. Totals excludes flaxseed due to data confidentiality.

(f) Crop year average prices: No.1 CWRS 11.5% protein and No.1 CWAD 11.5% (CWB final price I/S St. Lawrence/Vancouver), Barley (No. 1 feed, WCE, cash, I/S Lethbridge), Corn (No.2 CE, cash, I/S Chatham), Oats (US No. 2 Heavy, CBoT nearby futures); Rye (No.2 Canada, Elevator bids at select western delivery points); Canola (No. 1 Canada, WCE, cash, I/S Vancouver); Flaxseed (No. 1 CW, WCE, cash, I/S Thunder Bay); Soybeans (No. 2, I/S Chatham).

* Canadian Wheat Board Pool Return Outlook - May 25, 2006

F: Forecast; Agriculture and Agri-Food Canada --- May 30, 2006

Source: Statistics Canada, Cereals and Oilseeds Review Series, Cat. No. 22-007



CANADA: PULSE AND SPECIAL CROPS OUTLOOK

May 30, 2006

For 2006-07, the total area seeded to pulse and special crops in Canada is expected to decrease by 14% from 2005-06, as higher areas for dry peas, chickpeas, sunflower seed and buckwheat are more than offset by lower areas for lentils, dry beans, mustard seed and canary seed. Statistics Canada's (STC) seeding intentions survey, conducted during March 17-31 and released on April 25, provided estimates for most pulse and special crops by province, but in some cases the area seeded has been forecast by AAFC. The actual seeded areas may differ from the intentions due to changes in the market outlook and expected prices, producer reaction to the STC seeding intentions report and soil moisture conditions at the time of seeding. The STC seeded area estimates will be released on June 22. Seeding progress has, in general, been normal. It is assumed that precipitation will be normal for the growing and harvest periods, and that the abandonment rate and quality will be normal. Trend yields are assumed for both western and eastern Canada, as soil moisture reserves are good in most areas, although there are dry areas in northern Alberta and areas of excessive moisture in Manitoba and Saskatchewan.

Total production in Canada is forecast to decrease by 17%, from 2005-06, to 4.41 million tonnes (Mt). Total supply is expected to decrease by 12% to 5.94 Mt, as higher carry-in stocks offset some of the decrease in production. This report incorporates information from the March 31, 2006 STC estimates of stocks. Exports and carry-out stocks are forecast to decrease because of lower supply. Average prices, over all types, grades and markets, are forecast to increase for dry peas, lentils, mustard seed and canary seed, decrease for dry beans and chickpeas, and be the same for sunflower seed and buckwheat. The stronger Canadian dollar, compared to the US dollar, is expected to have the largest impact on dry bean and sunflower seed prices, as Canadian prices for these crops are directly related to US prices. The main factors to watch are weather conditions, especially precipitation, during the growing and harvest periods in Canada. Other factors to watch are the exchange rates of the Canadian dollar against the US dollar and other currencies, ocean shipping rates and growing conditions in the major producing regions, especially the United States, the European Union, Turkey, Australia, India and Mexico.

DRY PEAS

For 2006-07, production and supply are forecast to decrease, as lower yields more than offset the 2% increase in seeded area. Production is expected to decrease for yellow, green and other types. World supply is expected to remain stable at 12.2 Mt as higher production, mainly in the US and EU, is offset by lower carry-in stocks. Canadian exports are forecast to decrease because of lower Canadian supply and lower demand in the EU feed markets, while domestic use increases slightly. Carry-out stocks are forecast to decrease, with a stocks-to-use ratio (s/u) of 8%. The average price, over all types, grades and markets, is expected to rise from 2005-06 due to lower Canadian supply.

LENTILS

For 2006-07, production and supply are forecast to decrease sharply due to a 40% lower seeded area and lower yields. Production is expected to decrease sharply for large, medium and small green lentils. Although the seeded area is forecast to increase for red lentils, production is expected to decrease moderately due to lower trend yields. Carry-in stocks are forecast to be high for green lentils, but low for red lentils. World supply is forecast to decrease by 3% to 4.46 Mt. Canadian exports are expected to remain stable and carry-out stocks are forecast to decrease sharply, with a s/u of 39%. The average price, over all types and grades, is forecast to increase because of the lower supply.

DRY BEANS

For 2006-07, production and supply are expected to decrease, as a 20% lower seeded area more than offsets lower abandonment and higher yields. Production is forecast to decrease for dark red kidney and cranberry beans, and remain stable for white pea, Great Northern,

pinto, light red kidney, black, small red and pink beans. In the US, production is expected to decrease by 4% to 1.13 Mt, while supply increases by 3% to 1.37 Mt due to higher carry-in stocks. Canadian exports are forecast to decrease due to the lower supply. Carry-out stocks are expected to decrease, with a s/u of 6%. The average price, over all classes and grades, is forecast to decrease because of the higher US supply and stronger Canadian dollar.

CHICKPEAS

For 2006-07, production and supply are forecast to increase, as a 51% higher seeded area more than offsets lower yields. Production is forecast to increase for all types, large kabuli, small kabuli and desi. World supply is expected to decrease by 2% to 9.0 Mt, as an increase for the kabuli type is more than offset by a decrease for the desi type. Although Canadian exports are forecast to increase because of the higher supply, carry-out stocks are expected to rise, with a s/u of 16%. The average price, over all types and grades, is forecast to fall due to higher world supply of the kabuli type, which accounts for about 85% of Canadian production, although the price of the desi type is forecast to increase.

MUSTARD SEED

For 2006-07, production and supply are forecast to decrease because of a 22% lower seeded area and lower yields. Production is expected to decrease for all types, yellow, brown and oriental. A significant portion of the carry-in stocks is expected to be low quality seed. Exports are expected to rise due to higher demand and carry-out stocks are forecast to decrease, with a s/u of 45%. The average price over all types and grades, is expected to increase due to the lower supply.

CANARY SEED

For 2006-07, production and supply are forecast to decrease due to a 34% lower seeded area and lower yields. World supply is forecast to decrease by 20% to 350,000 t. Canadian exports are expected to remain stable in line with stable demand, while carry-out stocks decrease, with a s/u of 48%. The average price is forecast to rise because of the lower supply.

SUNFLOWER SEED

For 2006-07, production and supply are forecast to increase due to a 10% higher seeded area, lower abandonment and higher yields. US supply is expected to decrease by 15% to 1.63 Mt. World supply is forecast to decrease slightly to 30.2 Mt. Canadian exports are forecast to increase because of the higher supply. Carry-out stocks are expected to increase, with a s/u of 16%. The average price is forecast to be the same as in 2005-06, as support from lower US supply is offset by pressure from higher Canadian supply and the stronger Canadian dollar.

BUCKWHEAT

For 2006-07, Canadian production and supply are forecast to remain stable, as a higher seeded area is offset by lower yields. The average price is expected to be the same as in 2005-06.

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CANADA: PULSE AND SPECIAL CROPS SUPPLY AND DISPOSITION

May 30, 2006

Grain and Crop Year (a)	Area Seeded thousand ha	Area Harvested thousand ha	Yield t/ha	Production	Imports (b)	Total Supply	Exports (b)	Total Domestic Use (d)	Carry-out Stocks	Average Price (e) \$/t
Dry Peas										
2002-2003	1,297	1,050	1.30	1,365	41	1,681	626	745	310	210
2003-2004	1,303	1,271	1.67	2,124	24	2,458	1,316	937	205	175
2004-2005	1,388	1,345	2.48	3,338	57	3,600	1,853	1,152	595	135
2005-2006f	1,366	1,319	2.35	3,100	90	3,785	2,400	1,035	350	105-135
2006-2007f	1,398	1,349	2.19	2,950	100	3,400	2,100	1,050	250	110-140
Lentils										
2002-2003	601	387	0.91	354	9	494	320	119	55	390
2003-2004	554	536	0.97	520	5	580	367	175	38	420
2004-2005	778	750	1.28	962	10	1,010	451	314	245	310
2005-2006f	884	862	1.48	1,278	10	1,533	640	313	580	220-250
2006-2007f	535	508	1.23	625	10	1,215	640	235	340	245-275
Dry Beans										
2002-2003	230	219	1.89	414	40	489	298	96	95	445
2003-2004	167	167	2.13	356	31	482	344	83	55	495
2004-2005	163	126	1.75	220	28	303	278	20	5	650
2005-2006f	200	177	1.84	326	40	371	300	46	25	485-515
2006-2007f	159	156	1.92	300	30	355	290	45	20	465-495
Chickpeas										
2002-2003	221	154	1.01	156	9	345	105	160	80	300
2003-2004	63	63	1.08	68	2	150	74	51	25	330
2004-2005	47	39	1.31	51	4	80	47	28	5	385
2005-2006f	79	73	1.42	104	5	114	70	34	10	465-495
2006-2007f	119	110	1.18	130	5	145	90	35	20	395-425
Mustard Seed										
2002-2003	289	255	0.60	154	9	196	114	22	60	595
2003-2004	340	328	0.69	226	2	288	121	75	92	390
2004-2005	317	304	1.01	306	1	399	119	86	194	295
2005-2006f	212	206	0.98	201	1	396	130	86	180	250-280
2006-2007f	166	160	0.88	140	1	321	140	81	100	275-305
Canary Seed										
2002-2003	287	227	0.78	176	0	206	160	26	20	575
2003-2004	251	243	0.93	226	0	246	165	14	67	345
2004-2005	356	318	0.95	301	0	368	163	35	170	230
2005-2006f	190	186	1.22	227	0	397	175	32	190	175-205
2006-2007f	126	120	1.00	120	0	310	175	35	100	195-225
Sunflower Seed										
2002-2003	100	95	1.65	157	21	200	105	60	35	440
2003-2004	119	115	1.30	150	16	201	96	80	25	405
2004-2005	87	59	0.92	54	35	114	32	64	18	490
2005-2006f	93	75	1.19	89	25	132	45	67	20	330-360
2006-2007f	102	96	1.46	140	20	180	85	70	25	330-360
Buckwheat										
2002-2003	12	12	1.00	12	1	16	6	7	3	340
2003-2004	9	9	1.11	10	1	14	5	7	2	355
2004-2005	9	7	0.71	5	1	8	4	4	0	355
2005-2006f	7	6	1.33	8	1	9	4	5	0	340-370
2006-2007f	8	7	1.14	8	1	9	4	5	0	340-370
Total Pulse And Special Crops (c)										
2002-2003	3,036	2,399	1.16	2,788	130	3,627	1,734	1,235	658	
2003-2004	2,805	2,732	1.35	3,680	81	4,419	2,488	1,422	509	
2004-2005	3,145	2,948	1.78	5,237	136	5,882	2,947	1,703	1,232	
2005-2006f	3,031	2,904	1.84	5,333	172	6,737	3,764	1,618	1,355	
2006-2007f	2,613	2,506	1.76	4,413	167	5,935	3,524	1,556	855	

(a) August-July crop year.

(b) Excludes products.

(c) Includes Pulse Crops (dry peas, lentils, dry beans, chick peas) and Special Crops (mustard seed, canary seed, sunflower seed, buckwheat)

(d) Includes food, feed, seed, waste and dockage. Total domestic use is calculated residually.

(e) Producer price, FOB plant. Average over all types, grades and markets.

f. forecast, Agriculture and Agri-Food Canada, May 30, 2006

Source: Statistics Canada and industry consultations.

A. SELLING PRICE OF BULK FEED INGREDIENTS AT SELECTED POINTS

SELECTED POINT	REFERENCE PERIOD	PRICE BASIS	(1) WHEAT	OATS	BARLEY	CORN	PRICE BASIS	SOYBEAN MEAL	CANOLA MEAL	MILL-FEEDS	MEAT MEAL	FISH MEAL	ANIMAL FAT	May 29, 2006			
														GLUTEN MEAL	GLUTEN FEED	FEED PEAS	DEHY ALFALFA
Vancouver (4) (7)	May 29, 2006	FOB	143.00	N/A	135.00	142.00		256.00	154.00	100.00		1025.00	400.00				FEATHER MEAL
BC	May 29, 2006	FOB	143.00	N/A	135.00	148.00		253.00	141.00	99.00		975.00	420.00				385.00
Calgary	May 29, 2006	FOB	113.00	N/A	110.00	140.00		243.50			115.00	1000.00	430.00				390.00
AB	May 29, 2006	FOB	113.00	N/A	109.00	140.00		244.50			115.00	1000.00	430.00				390.00
Saskatoon	May 29, 2006	FOB	102.50	135.00	92.50	129.00		248.50	N/A		125.00	N/A	430.00		123.67		420.00
SK	May 29, 2006	FOB	102.50	135.00	92.50	129.00		247.00	N/A		125.00	N/A	430.00		122.00		420.00
Winnipeg	May 29, 2006	FOB	143.00	140.00	113.50	121.00		233.50	N/A		260.00	1087.50	515.00				380.00
MB	May 29, 2006	FOB	141.00	140.00	113.00	121.00		230.00	N/A		260.00	1087.50	515.00				380.00
Thunder Bay	May 29, 2006	In-Store	137.00	N/A	107.50												
ON	May 29, 2006	On Board	135.50	N/A	107.50												
Lake Ports	May 29, 2006	Vessel				112.03											
USA	May 29, 2006	In-Store	164.75	210.00	135.00	115.21											
Bay Ports	May 29, 2006	Track	162.25	205.00	135.00	115.60											
ON	May 29, 2006	Track				118.73											
Chatham	May 29, 2006	Track															
Toronto	May 29, 2006	N/A					FOB				171.00		400.00	N/A	N/A		340.00
ON	May 29, 2006	N/A						232.92	N/A		171.00		400.00	N/A	N/A		340.00
Hamilton	May 29, 2006	N/A						233.91	N/A								
ON	May 29, 2006	FOB															
Eastern	May 29, 2006	FOB				107.00											
ON	May 29, 2006	FOB				106.22											
London	May 29, 2006	FOB															
ON	May 29, 2006	FOB															
Port Colborne	May 29, 2006	FOB								48.00							
ON	May 29, 2006	FOB								42.00							
Cardinal	May 29, 2006	FOB															
ON	May 29, 2006	FOB															
Montreal	May 29, 2006	FOB	165.00	155.00	145.00	127.00		247.50	172.45	83.33	175.00	850.00	401.50	N/A	N/A		350.00
QC	May 29, 2006	FOB	165.00	155.00	145.00	127.00	FOB	243.94	171.45	83.33	175.00	850.00	401.50	N/A	N/A		350.00
Trois-Rivières	May 29, 2006	In-Store	168.50		149.30	133.46											
QC	May 29, 2006	FOB	168.00		148.60	133.65											
St. Jean QC	May 29, 2006	FOB	147.38	134.25	132.08	124.18		245.90									
St. Hyacinthe QC	May 29, 2006	FOB	150.50	136.75	134.65	125.13		245.82									
Quebec	May 29, 2006	In-Store	167.83	N/A	163.32	132.16		242.51	198.42								
QC	May 29, 2006	Track	202.61	145.00	170.10	163.62		246.49	197.67								
Truro	May 29, 2006	Water	202.61	145.00	170.10	166.86	FOB	283.46	205.55								
NS	May 29, 2006	Water	N/A	N/A	N/A	N/A											
Truro	May 29, 2006	Water	N/A	N/A	N/A	N/A											
NS	May 29, 2006	Water	N/A	N/A	N/A	N/A											
Halifax	May 29, 2006	In-Store	186.20	N/A	N/A	163.33		299.40	230.15	297.50		1 150.00					
NS	May 29, 2006	In-Store	183.95	N/A	N/A	165.93		304.20	235.65	297.50		1 150.00					

Source: Market Analysis Division, Agriculture and Agri-Food Canada; Thunder Bay prices are based on the Winnipeg Commodity Exchange (WCE) market close

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US\$1.00 = CAN\$ 1.1073

Closing date May 26/2006

N/A = not available

Footnotes: All prices in Canadian dollars per metric tonne based on survey respondents.

Grain grades (unless otherwise specified) are: Western or Eastern Feed Wheat. Feed Oats. No.1 Canada Western or Eastern Barley. No.2 Canada Yellow Corn. No.3 US Yellow Corn.

Soybean Meal 48 % Protein. Canola Meal based on minimum standard of 35% Protein. Fish Meal: white fish and/or herring meal. Gluten Meal 60% Protein. Gluten Feed 21% Protein.

(1) Wheat 3CWRS (2) Canadian Corn #3 or #2 (3) US Corn (4) Fish Meal from West Coast 63% Protein (5) Fish Meal 60% Protein (6) Herring Fish Meal (7) Fraser Valley (8) Wheat & Barley (Basis - Cash Price WCE) (9) Oats 3CW

B. CASH PRICES AND REPLACEMENT VALUES

May 29, 2006

PRAIRIE GRAINS

Selected Points	Price Basis		This week 29-May-06	Last week 15-May-06	Month ago 1-May-06	Year Ago 30-May-05
From: Thunder Bay(WCE) (2)	In-Store	Wheat	136.00	132.00	132.00	107.00
(CBOT)		Oat	180.20	197.60	190.40	135.25
(Lethbridge)		Barley	107.00	113.00	113.00	114.00
To: Bayport, ON (1)	In-store	Wheat	159.61	155.61	155.61	130.61
		Oat	N/A	N/A	N/A	N/A
		Barley	134.39	140.39	140.39	141.39
Montreal, QC (1)	In-store	Wheat	164.03	160.03	160.03	135.03
		Oat	N/A	N/A	N/A	N/A
		Barley	139.31	145.31	145.31	146.31
Moncton, NB	Truck via Halifax	Wheat	186.25	182.25	182.25	157.25
		Oat	N/A	N/A	N/A	N/A
		Barley	163.50	169.50	169.50	170.50
Truro, NS	Truck via Halifax	Wheat	180.22	176.22	176.22	151.22
		Oat	N/A	N/A	N/A	N/A
		Barley	161.00	167.00	167.00	168.00
Halifax, NS (1)	In-store	Wheat	171.28	167.28	167.28	142.28
		Oat	N/A	N/A	N/A	N/A
		Barley	147.30	153.30	153.30	154.30
Stephenville, NL	Track / Truck via Sydney	Wheat	234.63	230.63	230.63	205.63
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A
Melfort, SK		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Bayport, ON		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Montreal, QC		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Moncton, NB		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Truro, NS		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track / Truck via Sydney	Barley	N/A	N/A	N/A	N/A
Stephenville, NL		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A

Selected Points	Price Basis		This week 29-May-06	Last week 15-May-06	Month Ago 1-May-06	Year Ago 30-May-05
Corn						
From: US Lake Port	On Board Vessel		112.03	115.21	105.70	109.11
To: Montreal, QC (1)	In-store		131.07	134.25	124.74	128.15
From: Chicago (IL)	Track		110.72	113.46	106.57	111.10
To: Montreal, QC	Track		139.58	142.32	135.43	139.96
From: Chatham, ON	Track		115.60	118.73	112.10	114.75
To: Montreal, QC	Track		139.47	142.60	135.97	138.62

Soymeal 48% Protein

From: Hamilton, ON			232.92	238.54	245.37	230.88
To: Montreal, QC	Track		257.25	262.87	269.70	255.21
Moncton, NB	Track		276.00	281.62	288.45	273.96
Truro, NS	Track		279.22	284.84	291.67	277.18
Stephenville, NL	Track / Truck via Sydney		327.85	333.47	340.30	325.81

- Prices include ONE month of storage and interest charges n/a = not available
- Thunder Bay prices are based on the Winnipeg Commodities Exchange market close (Cash price)

Source: Market Analysis Division, Agriculture and Agri-Food Canada

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Footnotes: All prices quoted in Canadian dollars per metric tonne.

Grain grades (unless otherwise specified) are: Canada Western Feed Wheat, Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn.

Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec.

Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable

A. SELLING PRICE OF BULK FEED INGREDIENTS AT SELECTED POINTS

May 15, 2006

SELECTED POINT	REFERENCE PERIOD	PRICE BASIS	(1)	WHEAT	OATS	BARLEY	CORN	PRICE BASIS	SOYBEAN MEAL	CANOLA MEAL	MILL- FEEDS	MEAT MEAL	FISH MEAL	ANIMAL FAT	GLUTEN MEAL	GLUTEN FEED	FEED PEAS	DEHY ALFALFA	FEATHER MEAL
Vancouver BC (4) (7)	May 15, 2006	FOB		141.00	N/A	135.00	150.32		259.50	145.00	98.00		975.00	420.00					385.00
Calgary AB (4)	May 15, 2006	FOB		111.00	N/A	108.00	133.00		255.50				975.00	420.00					385.00
Saskatoon SK (4)	May 15, 2006	FOB		102.00	135.00	92.00	129.00		258.00	N/A		110.00	1000.00	430.00					380.00
Winnipeg MB (4) (9)	May 15, 2006	FOB		100.00	134.50	90.00	125.00		257.00	N/A		120.00	N/A	430.00			121.67		410.00
Thunder Bay ON (8)	May 15, 2006	In-Store		142.00	140.00	113.00	119.00		240.00	N/A		260.00	1087.50	515.00			122.33		380.00
Lake Ports USA (3)	May 15, 2006	On Board Vessel		132.00	N/A	108.00	113.00		239.00	N/A		260.00	1087.50	525.00					370.00
Bay Ports ON	May 15, 2006	In-Store		159.75	205.00	135.00													
Chatham ON	May 15, 2006	Track					118.73												
Toronto ON (5)	May 15, 2006	N/A					112.10	FOB											
Hamilton ON	May 15, 2006	N/A							238.54	N/A		171.00		390.00	N/A	N/A		280.00	340.00
Eastern ON	May 15, 2006	FOB					113.68		245.37	N/A		171.00		390.00	425.00	114.00		285.00	340.00
London ON	May 15, 2006	FOB					112.21												
Port Colborne ON	May 15, 2006	FOB									40.00								
Cardinal ON	May 15, 2006	FOB									47.50								
Montreal QC (5)	May 15, 2006	In-Store		160.00	150.00	145.00	136.00		251.53	176.60	83.33	175.00	850.00	401.50	N/A	N/A		270.00	335.00
Trois-Rivières QC	May 15, 2006	FOB		160.00	150.00	145.00	126.00	FOB	254.77	180.78	78.33	175.00	850.00	401.50	425.00	114.00		270.00	335.00
St. Jean QC (2)	May 15, 2006	FOB		174.00		148.50	135.82												
St. Hyacinthe QC	May 8, 2006	FOB		167.00		148.20	128.14		253.09										
Quebec QC	May 15, 2006	In-Store		146.25	136.25	134.88	127.97		251.18										
Truro NS	May 15, 2006	Track		144.25	135.00	132.80	123.84		253.49	199.53									
Truro NS	May 15, 2006	Water		162.67	N/A	163.02	135.68		256.00	206.13									
Halifax NS (6)	May 15, 2006	In-Store		161.33	N/A	162.16	129.80		290.89	209.19									
	May 8, 2006	FOB		194.37	145.00	168.90	163.44	FOB	290.14	209.19									
	May 15, 2006	Water		N/A	N/A	N/A	N/A												
	May 8, 2006	& Truck		N/A	N/A	N/A	N/A												
	May 15, 2006	In-Store		179.20	N/A	N/A	169.80		316.50	246.65	297.50		1,150.00						
	May 8, 2006			174.70	N/A	N/A	176.60		315.95	244.55	297.50		1,150.00						

Source: Market Analysis Division. Agriculture and Agri-Food Canada; Thunder Bay prices are based on the Winnipeg Commodity Exchange (WCE) market close

Contact: Corinne Bruneau Statistical Clerk Telephone: (204) 983-0581 Fax: (204) 983-5524 Email: bruneau@agr.gc.ca

N/A = not available

Footnotes: All prices in Canadian dollars per metric tonne based on survey respondents.

Grain grades (unless otherwise specified) are: Western or Eastern Feed Wheat. Feed Oats. No.1 Canada Western or Eastern Barley. No.2 Canada Yellow Corn. No.3 US Yellow Corn.

Soybean Meal 48 % Protein. Canola Meal based on minimum standard of 35% Protein. Fish Meal: white fish and/or herring meal. Gluten Meal 60% Protein. Gluten Feed 21% Protein.

(1) Wheat 3CWR. (2) Canadian Corn #3 or #2. (3) US Corn. (4) Fish Meal from West Coast 63% Protein. (5) Fish Meal 60% Protein. (6) Herring Fish Meal. (7) Fraser Valley. (8) Wheat & Barley (Basis - Cash Price WCE). (9) Oats 3CW

Closing date May 12/2006

US\$1.00 = CAN\$ 1.1085

B. CASH PRICES AND REPLACEMENT VALUES

May 15, 2006

PRAIRIE GRAINS

Selected Points	Price Basis		This week 15-May-06	Last week 1-May-06	Month ago 18-Apr-06	Year Ago 16-May-05
From: Thunder Bay(WCE) (2)	In-Store	Wheat	132.00	132.00	124.00	106.00
(CBOT)		Oat	197.60	190.40	174.60	132.00
(Lethbridge)		Barley	113.00	113.00	107.00	113.00
To: Bayport, ON (1)	In-store	Wheat	155.61	155.61	147.61	129.61
		Oat	N/A	N/A	N/A	N/A
		Barley	140.39	140.39	134.39	140.39
Montreal, QC (1)	In-store	Wheat	160.03	160.03	152.03	134.03
		Oat	N/A	N/A	N/A	N/A
		Barley	145.31	145.31	139.31	145.31
Moncton, NB	Truck via Halifax	Wheat	182.25	182.25	174.25	156.25
		Oat	N/A	N/A	N/A	N/A
		Barley	169.50	169.50	163.50	169.50
Truro, NS	Truck via Halifax	Wheat	176.22	176.22	168.22	150.22
		Oat	N/A	N/A	N/A	N/A
		Barley	167.00	167.00	161.00	167.00
Halifax, NS (1)	In-store	Wheat	167.28	167.28	159.28	141.28
		Oat	N/A	N/A	N/A	N/A
		Barley	153.30	153.30	147.30	153.30
Stephenville, NL	Track / Truck via Sydney	Wheat	230.63	230.63	222.63	204.63
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A
Melfort, SK		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Bayport, ON		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Montreal, QC		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Moncton, NB		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Truro, NS		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track / Truck via Sydney	Barley	N/A	N/A	N/A	N/A
Stephenville, NL		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A

Selected Points	Price Basis		This week 15-May-06	Last week 1-May-06	Month Ago 18-Apr-06	Year Ago 16-May-05
Corn						
From: US Lake Port	On Board Vessel		115.21	105.70	106.35	101.14
To: Montreal, QC (1)	In-store		134.25	124.74	125.39	120.18
From: Chicago (IL)	Track		113.46	106.57	108.16	104.61
To: Montreal, QC	Track		142.32	135.43	137.02	133.47
From: Chatham, ON	Track		118.73	112.10	117.78	106.35
To: Montreal, QC	Track		142.60	135.97	141.65	130.22

Soymeal 48% Protein						
From: Hamilton, ON			238.54	245.37	258.49	209.36
To: Montreal, QC	Track		262.87	269.70	282.82	233.69
Moncton, NB	Track		281.62	288.45	301.57	252.44
Truro, NS	Track		284.84	291.67	304.79	255.66
Stephenville, NL	Track / Truck via Sydney		333.47	340.30	353.42	304.29

1. Prices include ONE month of storage and interest charges n/a = not available
 2. Thunder Bay prices are based on the Winnipeg Commodities Exchange market close (Cash price)

Source: Market Analysis Division, Agriculture and Agri-Food Canada

Contact: Corinne Bruneau: Statistical Clerk (204) 983-0581 Fax: (204) 983-5524 e-mail: bruneauc@agr.gc.ca

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Bi-weekly Bulletin

June 22, 2006 Volume 19 Number 9

CANADA: PRIMARY PROCESSING OF GRAINS AND OILSEEDS

Canada's primary processing capacity for grains and oilseeds, excluding primary processing of animal feed, has been expanding for the past few years. Most of that growth is attributed to expansions in corn processing, flour milling, and oilseed crushing. Currently, primary processing consumes about one-quarter of Canada's annual production of grains and oilseeds. This issue of the *Bi-weekly Bulletin* examines some of the changes that have occurred within Canada's primary processing industry since 2001-2002.

Background

Canada's agriculture and agri-food sector is important to its economic and social well-being. In 2004, the food manufacturing sector, of which primary processing represented a significant component, contributed approximately \$17 billion (G) to Canada's Gross Domestic Product (GDP). That same year, primary crop and animal production contributed \$14G to Canada's GDP.

A survey of manufacturers which was conducted by Statistics Canada shows that Canada's food manufacturing sector contributed about 12% of Canada's total manufacturing sales for 2003. The food manufacturing sector ranks a distant second to the transportation equipment manufacturing sector, but it still ranks first in sales for 5 out of 10 Canadian provinces.

Canada's trade in agriculture and agri-food products has averaged \$52G

during the past few years. During this period, Canada exported about \$30G in agriculture and agri-food products annually. Canada has maintained its competitive edge in world markets by adopting innovative agronomic practices, by diversifying into non-traditional crops, and by encouraging value-added activities.

Biofuels, specifically fuel ethanol and biodiesel, are generally produced from grains, oilseeds and animal fats.

CANADA: GRAINS AND OILSEEDS PROCESSING CAPACITY

	EASTERN CANADA			WESTERN CANADA			TOTAL CANADA ^{1/}		
	2001 -2002	2006 -2007	Change	2001 -2002	2006 -2007	Change	2001 -2002	2006 -2007	Change
	.....tonnes per day of raw product.....								
Wheat Flour Milling	8,257	8,572	3.8%	4,143	4,675	12.8%	12,400	13,247	6.8%
Wheat-Other Processing ^{2/}	400	400	0.0%	492	482	-2.0%	892	882	-1.1%
Durum Milling	1,006	1,064	5.8%	763	717	-6.0%	1,769	1,781	0.7%
Corn Processing	5,785	7,890	36.4%	530	555	4.7%	6,315	8,445	33.7%
Malting Industry	767	717	-6.5%	2,609	2,273	-12.9%	3,376	2,990	-11.4%
Oat Processing	390	260	-33.3%	1,795	2,014	12.2%	2,185	2,274	4.1%
Oilseeds Crushing	6,700	6,700	0.0%	9,075	10,920	20.3%	16,500	17,650	7.0%
Total	23,305	25,603	9.9%	19,407	21,636	11.5%	43,437	47,269	8.8%

^{1/} August-July crop year. Data for oilseed crushing include plants at undetermined locations, in which case regional numbers will not add up to the national total.

^{2/} Includes ethanol, beverage alcohol, starch, and gluten

Sources: Grain and Milling Annual, Ontario Corn Producers' Association, Canadian Oilseed Processors' Association, Canola Council of Canada, Canadian Wheat Board, and other industry sources.

Canada's biofuel sector provides Canadian farmers with an opportunity to share the benefits derived from this new market. As well, Canadian farmers, as key stakeholders, will have an opportunity to invest in this important value-added activity and contribute to its success. The Canadian government is working with other levels of government and the private sector to increase capacity for biomass-based plants in Canada. This commitment is a step toward a cleaner global environment as well as providing economic benefits for Canada's agriculture and agri-food sector.

Increasing value-added activities as a means of strengthening the agricultural sector continues to be a priority for Agriculture and Agri-Food Canada (AAFC). The Value Chain Roundtables, which have been held with major stakeholders over the past couple of years, are intended to help ensure that we have a strong and sustainable agricultural sector, one which will benefit all Canadians.

Canada's Primary Processing Sector

Between 2001-2002 and 2006-2007, the primary processing capacity for Canada's grains and oilseeds is expected to increase by about 9% due largely to increased capacity in corn processing, wheat milling, and oilseed crushing. There is, however, a notable decline in capacity expected for the malting barley sector.

In *western Canada*, primary processing capacity is expected to increase by about 12% as oilseed crushing, wheat milling, and oat processing expand by 20%, 13%, and 12%, respectively.

In *eastern Canada*, primary processing capacity is expected to increase by about 10%. The increase is due primarily to expanded capacity in corn processing, durum milling, and wheat milling, estimated at 36%, 6%, and 4%, respectively. However,

capacities in the oat processing and malting barley sectors in eastern Canada are expected to decrease by 33% and 7%, respectively.

Wheat Flour Milling

Canada's flour milling industry (including durum) currently accounts for about 3.0 million tonnes (Mt) of Canada's annual wheat disposition. Of the total wheat milled annually, about 70% is Canadian Western Red Spring wheat, 15% is Ontario winter wheat, 10% is durum, and the remaining 5% is made up of other wheat classes.

Canada's flour milling industry grew fairly rapidly in previous decades but the rate of increase has since levelled off. Nevertheless, wheat milling capacity (excluding durum) is increasing from a record high of 12,400 tonnes per day (t/d) in 2001-2002, to an estimated 13,247 t/d for 2006-2007. In *western Canada*, wheat milling capacity is estimated to have increased by 13% since 2001-2002 versus 4% in eastern Canada.

The increase in Canadian wheat milling capacity is occurring despite the closure of some smaller, less efficient plants. For example, the Archer Daniels Midland Company (ADM) plant in Strathroy, Ontario (ON) has shut down, eliminating about 106 t of daily capacity. At the same time, the \$30M Rogers Food plant in Chilliwack, British Columbia became operational in April 2005, with processing capacity of 332 t/d.

The wheat flour milling industry remains the second largest primary processing industry for Canadian grains and oilseeds.

Durum Milling

Some of Canada's durum milling capacity is categorized as "*swing*", plants that mill both durum and non-durum wheat. However, one must avoid double counting this capacity because a plant that is processing one

of the two commodities (durum or non-durum) on a given day would not be able to process the other commodity during that same period.

Until November 2003, there were two *swing* plants in Canada, one of which is the now closed ADM plant in Strathroy, ON which had a daily capacity of 106 t/d. The other *swing* plant is the Robin Hood Multifoods plant in Saskatoon, Saskatchewan (SK), where capacity remains virtually unchanged at 453 t/d.

Canada's total durum milling capacity (including *swing*) is estimated at 1,781 t/d, up slightly from 1,769 t/d in 2001-2002. When *swing* capacity is excluded, durum milling capacity is shown to have actually increased by about 5%. Eastern Canada retains about 60% of Canada's durum milling capacity (including *swing*).

The federal government has committed to a 5% average renewable content requirement in Canadian transportation fuel by 2010. The three federal ministers of Environment, Natural Resources, and Agriculture and Agri-Food, in consultation with provincial and territorial ministers, are working together to increase production of biofuels to help meet the target.

Wheat-Other Processing

Canada's daily capacity for the production of wheat-based ethanol and beverage alcohol remains relatively unchanged from 2001-2002, but there are several ethanol plants either in the planning stage or currently under construction. For example, Husky Energy Inc. of Calgary, Alberta (AB) announced in October 2005 that it will proceed with the construction of a \$145M plant on its existing site in Minnedosa, Manitoba (MB). The new plant will replace the current plant which produces about 10 million litres (ML) of ethanol annually and is expected to be fully operational by mid-2007. The

new plant will use about 350,000 t of wheat to produce 130 ML of ethanol annually. Husky Energy is also building an ethanol plant in Lloydminster, AB with approximately the same expected output as the Minnedosa plant and the plant is scheduled to open in the latter part of 2006. About 250,000 t of dry distillers grain will be produced as a by-product and is expected to be marketed to livestock in western Canada.

The ADM Agri-Industries Company plant, located in Candiach, QC produces gluten and starch from wheat. The daily capacity at this plant is about 400 t/d, unchanged from 2001-2002.

The Ethanol Expansion Program (EEP) and Other Initiatives

The EEP was announced on August 12, 2003, as part of Canada's climate change plan. It is contributing to the expansion of fuel ethanol production and use in Canada and the reduction of transportation-related greenhouse gas (GHG) emissions that contribute to climate change. The program is designed to increase the proportion of our gasoline that is blended with ethanol. The EEP is providing contributions toward the construction of new, or the expansion of existing, fuel ethanol production facilities in Canada.

Saskatchewan has mandated the use of ethanol-blended fuel, beginning in 2005. Under its *Ethanol Fuel Grant Program*, the province provides a 15 cent per litre (¢/L) grant to distributors who blend ethanol within Saskatchewan. In addition to the Husky Energy facility planned for Lloydminster, SK, NorAmra BioEnergy Corporation has announced a 25 ML plant in Weyburn, SK. Both plants will be using wheat as feedstock for ethanol production.

North West Terminal Ltd. (NWT), a farmer-shareholder owned grain terminal located in Unity, SK is moving ahead with plans to build an ethanol

facility. The plans call for the construction of a facility capable of producing up to 25 ML of ethanol per year using about 68,000 t of feedstock. The cost of the plant is estimated at \$34M and the plant is expected to be operational by the fall of 2008. The ethanol facility will operate under a newly formed company called North West BioEnergy Ltd., a wholly owned subsidiary of NWT.

Prospects for increased ethanol production in Canada continue to improve as stakeholders come forward with innovative ideas for enhancing the feasibility of ethanol production. The Saskatchewan government and the Saskatchewan Ethanol Development Council have announced a study to determine the feasibility of integrating ethanol production with local feedlot operations. The group contends that using the distiller's grains from a small ethanol plant at an adjoining feedlot eliminates prohibitive drying costs and allows some of the smaller ethanol plants to compete with the big stand-alone facilities. The project offers a glimpse of future projects that might involve renewable energy sources such as ethanol produced from Prairie grains.

Biodiesel Production in Canada

The development of biodiesel in the US and European Union (EU) has increased rapidly as biodiesel has been widely recognized and encouraged as a viable alternative to petroleum-based fuel. In fact, about half of the rapeseed crushed at ADM's plants in the EU is for use in biodiesel.

According to the Canola Council of Canada, Canada's biodiesel sector would benefit greatly from the following: an equivalency to the United States (US) programs that equates to about 30¢/L on virgin oils; a mandated biodiesel inclusion rate of 5% by 2015; and quality standards that take into account Canada's climatic conditions.

Recent discussions regarding the merits of biodiesel for helping Canada reduce greenhouse gases have improved prospects for the domestic oilseeds sector. Canola oil, as a component of biodiesel, is being touted as a logical choice for this application. Although other vegoils, rendered animal fat, and spent restaurant grease can also be adapted to biodiesel production, proponents argue that canola oil performs better in cold weather and that steadily increasing canola yields are improving the economic feasibility of using canola oil for producing biodiesel.

Canada has established a goal of 500 ML of biodiesel production by 2010. The Canadian Bioenergy Corporation estimates that mandating a 2% biodiesel blend would require about 1.25 Mt of canola seed, or 2.5 Mt of soybeans due to lower oil content. In 2005-2006, Canada produced a record 9.7 Mt of canola, of which 5.0 Mt was exported in seed form. Similarly, a record soybean crop of 3.2 Mt was produced in 2005-2006, of which 1.3 Mt will be exported in seed form. Canada's role in the export market for these commodities could decrease significantly as the production of biodiesel develops. However, unlike the US and the EU, Canada is a net exporter of petroleum and petroleum products, so the rationale for increasing biodiesel production, and the incentives necessary to do so, have to be examined from a very different perspective.

Canada appears to have the production base to support the mandated level of biodiesel production. However, in the US and EU, government incentives have provided some of the business incentives necessary for biodiesel development. Similar incentives may be required in Canada. Increased production of biodiesel from canola and soybeans will help reduce greenhouse gases.

Oilseeds Processing

Canada's oilseed processing capacity is expected to increase by about 7%, to 17,650 t/d. The increase would be almost exclusively in western Canada where existing plants are expanding capacity and a previously idled plant in Ste. Agathe, MB is being put into service. Oilseed processing capacity in eastern Canada is virtually unchanged from five years ago.

AAFC forecasts total oilseed crush for 2006-2007 at 5.2 Mt, up from 4.0 Mt in 2001-2002. The increase in the amount of oilseeds crushed annually is due primarily to increased canola crushing, estimated to have risen by 50% since 2001-2002.

Corn Processing

Canada's corn processing capacity is expected to increase by about 34%, to 8,445 t/d. The increase is due largely to expansion in corn milling and fuel ethanol production. In *western Canada*, increased processing capacity is largely due to expanded capacity at the Diageo plant in Gimli, MB. In *eastern Canada*, expanded fuel ethanol capacity at the Commercial Alcohols plant in Chatham, ON, and expansions at the two beverage alcohol facilities (Canadian Mist Distillers in Collingwood, ON, and Schenley Distilling Co. in Valleyfield, QC) will offset lost capacity due to the closure of Nacan Products Limited's corn milling plant in Collingwood, ON. It must be noted, however, that the Nacan plant is currently being converted to ethanol production. In addition, Suncor Energy's ethanol plant, which would use about 1,450 t/d of corn, is expected to become fully operational in 2006.

Malting Barley

Canada's malting capacity is expected to decrease by about 10%, to 2,990 t/d. The decrease in malting capacity is attributed to a steadily

declining domestic market for beer and reduced prospects for exports of barley malt.

Reduced beer consumption in Canada is reflective of an aging population and changes in consumption patterns. In addition to the lower per capita consumption of beer normally associated with an aging population, Canadians are consuming more imported beers, which reduces domestic demand for barley malt. As well, there has been significant growth in the discounted beer market which typically uses less barley malt in the production process.

For the last 20 years, Canada's share of the export market for barley malt has trended upward. More recently, that trend seems to have temporarily reversed. For example, exports of barley malt to Japan have been negatively affected by increased consumption of low-malt and no-malt beer beverages.

Canada's malting industry processes about 1.0 Mt of malting barley annually, of which about 270,000 t is for the domestic beer industry. More than three-quarters of Canada's malting capacity is located in western Canada. Canada Malting, with its plants in Montreal, QC, Thunder Bay, ON and Calgary, AB remains the single largest maltster in Canada, processing just over half of the barley malt produced in Canada. The second largest maltster is Prairie Malt in Biggar, SK, followed by Rahr Malting in Alix, AB and the IMC Canada (Dominion Malting) plant in Winnipeg.

Oat Processing

Canada's oat processing sector has experienced marginal growth in recent years, despite the closure of the ADM Agri-Industries Company plant in Midland, ON. Oat processing plants in western Canada now

account for about 90% of total capacity, versus 80% in 2001-2002.

The largest increases in oat milling capacity during the past five years have been at the Popowich Milling Ltd. plant in Yorkton, SK, and Emerson Milling Inc. in Emerson, MB, which have increased capacity by 60% and 50%, respectively. Can-Oat Milling in Portage la Prairie, MB is expanding processing capacity by 50,000 t, or 150 t/d, to be completed by February 2007. Capacity at The Quaker Oats Company of Canada Limited plant in Peterborough, ON has also increased about 20% since 2001-2002.

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Malting Industry Association of Canada, Grain Policy Division (AAFC), Market and Industry Services Branch (AAFC)

WHEAT FLOUR MILLING

COMPANY	OWNERSHIP	LOCATION	PRODUCTS	capacity (t/d of raw product)	
				2001	2006
				-2002	-2007
EASTERN CANADA					
ADM Milling	Archer Daniels Midland (USA)	Montreal, QC	WF, WWF	1167	1339
ADM Milling	Archer Daniels Midland (USA)	Montreal, QC	WF, WWF	502	507
ADM Milling	Archer Daniels Midland (USA)	Midland, ON	WF, WWF	726	725
ADM Milling	Archer Daniels Midland (USA)	Mississauga, ON	WF	423	375
ADM Milling	Archer Daniels Midland (USA)	Strathroy, ON	SWF	106	n/a
ADM Milling	Archer Daniels Midland (USA)	Port Colbourne, ON	WWF, SWF, WWF	865	840
Arva Flour Mills	Independent (CAN)	Arva, ON	SWF, WWF, RF	18	19
Cereal Foods	Cereal Food Processors (USA)	Montreal, QC	WF, WWF	212	215
Dover Mills	Dover Industries (CAN)	Halifax, NS	WF	357	436
Dover Mills	Dover Industries (CAN)	Cambridge, ON	WF	628	629
Golden Gate Mills	Independent (CAN)	Brantford, ON	WWF	n/a	48
Grain Processing	Independent (CAN)	Scarborough, ON	SWF	n/a	40
Halton Flour Mills	Dover Industries (CAN)	Acton, ON	WF	234	251
Hayhoe Mills	Independent (CAN)	Woodbridge, ON	WF, SWF, WWF	302	303
Kraft Milling	Kraft Foods (USA)	Streetsville, ON	SWF, WF	514	515
New-Life Mills	Parrish and Heimbecker (CAN)	Hanover, ON	WF, SWF	454	453
Port Royal Mills	Independent (CAN)	Aurora, ON	WWF	48	48
Robin Hood Multifoeds	International Multifoeds (USA)	Montreal, QC	WF	758	997
Robin Hood Multifoeds	International Multifoeds (USA)	Port Colbourne, ON	WF	800	797
Other	Independent (CAN)	various	WF	143	36
Subtotal				8,257	8,572
WESTERN CANADA					
ADM Milling	Archer Daniels Midland (USA)	Winnipeg, MB	WF, SWF, WWF	200	193
ADM Milling	Archer Daniels Midland (USA)	Medicine Hat, AB	WF	514	496
ADM Milling	Archer Daniels Midland (USA)	Calgary, AB	WF, SWF, WWF	956	925
Elison Milling	Parrish and Heimbecker (CAN)	Lethbridge, AB	WF, WWF, RF	333	453
Dawn Foods	Dawn Foods (USA)	Saskatoon, SK	WF	375	375
Dawn Foods	Dawn Foods (USA)	Humboldt, SK	WF	30	31
FarmGro Organic Food	Independent (CAN)	Regina, SK	WF	73	n/a
Patterson Global Foods	NutraSun Foods	Regina, SK	WF	n/a	72
Permolex (API)	Independent (CAN)	Red Deer, AB	WF	380	360
Prairie Flour Mills	Independent (CAN)	Elie, MB	WF	181	241
Robin Hood Multifoeds	International Multifoeds (USA)	Saskatoon, SK	WF, SWF, WWF	847	847
Rogers Foods	Nisshin Flour Milling Co.	Armstrong, BC	WF, RF, WWF	216	293
Rogers Foods	Nisshin Flour Milling Co.	Chilliwack, BC	WF, RF, WWF	n/a	332
Schroeder Milling	Independent (CAN)	Camrose, AB	WF	33	31
Other	Independent (CAN)	various	WF	5	25
Subtotal				4,143	4,675
Total				12,400	13,247

WHEAT-OTHER PROCESSING*

EASTERN CANADA					
ADM Milling	Archer Daniels Midland (USA)	Candiac, QC	gluten, starch	400	400
WESTERN CANADA					
API Grain Processors (Permolex)	Independent (CAN)	Red Deer, AB	ethanol, flour gluten	275	275
Highwood Distillers	Independent (CAN)	High River, AB	beverage alcohol	40	30
Husky Energy Inc.	Husky Energy Inc. (CAN)	Minnedosa, MB	ethanol	77	77
Pound-Maker Agventures	Investments (CAN)	Lanigan, SK	ethanol	100	100
Subtotal				492	482
Total				892	882

DURUM MILLING

EASTERN CANADA					
ADM Milling	Archer Daniels Midland (USA)	Montreal, QC	durum products	266	267
ADM Milling	Archer Daniels Midland (USA)	Port Colbourne, ON	durum products	79	72
Howson & Howson	Independent (CAN)	Blyth, ON	durum products	363	399
Kraft Milling	Primo Foods (USA)	Woodbridge, ON	durum products	272	272
Others	Independent (CAN)	various	durum products	26	55
Subtotal				1,006	1,064
WESTERN CANADA					
Ellison Milling	Parrish and Heimbecker (CAN)	Lethbridge, AB	durum products	236	236
FarmGro Organic Food	Independent (CAN)	Regina, SK	durum products	73	n/a
Robin Hood Multifoeds	International Multifoeds (USA)	Saskatoon, SK	durum products	454	453
Other	Independent (CAN)	various		n/a	28
Subtotal				763	717
Total				1,769	1,781

Note: (WF) wheat flour, (WWF) whole wheat flour, (SWF) soft wheat flour, (RF) rye flour

* Includes ethanol, beverage alcohol, starch, and gluten

n/a: not available

Source: Milling and Baking Annual, Bakers Journal, AAFC and industry estimates

CORN PROCESSING

COMPANY	OWNERSHIP	LOCATION	PRODUCTS	capacity (t/d of raw product)	
				2001 -2002	2006 -2007
EASTERN CANADA					
Commercial Alcohols	Independent (CAN)	Tiverton, ON	ethanol	150	170
Commercial Alcohols	Independent (CAN)	Chathan, ON	ethanol	990	1,100
Powerstream Corp.	National Starch (USA)	Collingwood, ON	ethanol	n/a	400
Suncor Energy	Suncor Energy (USA)	Sarnia, ON	ethanol	n/a	1,450
Subtotal				1,140	3,120
Canadian Mist Distillers	Brown Foreman (USA)	Collingwood, ON	beverage alcohol	105	110
Hiram Walker	Allied Domecq Spirit & Wine (UK)	Windsor, ON	beverage alcohol	50	50
Seagram	Pernod Ricard (France)	Amherstburg, ON	beverage alcohol	45	45
Schenley Distilling Inc.	Constellation Co (USA)	Valleyfield, QC	beverage alcohol	230	255
Subtotal				430	460
Casco Inc.	Com Products Int'l Inc. (USA)	London, ON	corn starch, sweeteners	1,600	1,600
Casco Inc.	Com Products Int'l Inc. (USA)	Port Colbourne, ON	corn starch, sweeteners	1,000	1,300
Casco Inc.	Com Products Int'l Inc. (USA)	Cardinal, ON	corn starch	1,250	1,300
King Milling	Lauhoff (Swiss)	Chatham, ON	BG, CF, CM	110	110
Nacan	National Starch (USA)*	Collingwood, ON	corn starch, sweeteners	255	n/a
Subtotal*				4,215	4,310
Total Eastern Canada				5,785	7,890
WESTERN CANADA					
Alberta Distillers	Jim Beam Brands Inc (USA)	Calgary, AB	beverage alcohol	175	175
Black Velvet Distilling Co	Constellation Co (USA)	Lethbridge, AB	beverage alcohol	140	140
Diageo	Pernod Ricard (France)	Gimli, MB	beverage alcohol	215	240
Subtotal				530	555
Total				6,315	8,445

MALTING INDUSTRY

EASTERN CANADA					
Canada Malting	Tiger Oats (South Africa)	Montreal, QC	barley malt	292	292
Canada Malting	Tiger Oats (South Africa)	Thunder Bay, ON	barley malt	475	425
Subtotal				767	717
WESTERN CANADA					
Canada Malting	Tiger Oats (South Africa)	Calgary, AB	barley malt	950	840
IMC Canada (Dominion)	Sumitomo (Japan) and IMC (USA)	Winnipeg, MB	barley malt	314	314
Gambrinus Malting	Independent (CAN)	Armstrong, BC	barley malt	30	30
Prairie Malt	SWP and Cargill (CAN, USA)	Biggar, SK	barley malt	804	602
Rahr Malting (USA)	Rahr Malting (USA)	Alix, AB	barley malt	511	487
Subtotal				2,609	2,273
Total				3,376	2,990

OAT PROCESSING

EASTERN CANADA					
ADM Milling	Archer Daniels Midland (USA)	Midland, ON	oat flour, oat products	165	**
Quaker Oats	Quaker Oats (USA)	Peterborough, ON	oat flour, oat products	165	200
Smucker Foods	International Multifoods (USA)	Port Colbourne, ON	oat flour	60	60
Subtotal				390	260
WESTERN CANADA					
Alberta Oats Ltd	Independent (CAN)	Edmonton, AB	oat products	331	350
Can-Oat Milling	SWP (CAN)	Portage la Prairie, MB	oat flour, oat products	350	350
Can-Oat Milling	SWP (CAN)	Saskatoon, SK	oat flour, oat products	550	550
Emerson Milling	Independent (CAN)	Emerson, MB	oat flour, oat products	100	150
Popovich Milling	Grain Millers (USA)	Yorkton, SK	oat flour, oat products	250	400
Smucker Foods	International Multifoods (USA)	Saskatoon, SK	oat flour	124	124
Westglan Milling	ConAgra (USA)	Barrhead, AB	oat flour, oat products	90	90
Subtotal				1795	2014
Total				2185	2274

OILSEEDS CRUSHING

EASTERN CANADA					
ADM Agri-Industries Company	Archer Daniels Midland (USA)	Windsor, ON	soybeans, canola	3,600	3,600
Bunge Canada	Bunge North America	Hamilton, ON	soybeans	3,000	3,000
Sunfield Oilseeds	Independent (CAN)	Wingham, ON	soybeans	100	100
Subtotal				6,700	6,700
WESTERN CANADA					
ADM Agri-Industries Company	Archer Daniels Midland (USA)	Lloydminster, AB	canola	2,000	2,000
Associated Proteins LP	Independent (CAN)	Ste. Agathe, MB	canola	n/a	1,000
Bunge Canada	Bunge North America	Altona, MB	canola, flax	1,000	1,100
Bunge Canada	Bunge North America	Nipawin, SK	canola	1,000	1,000
Bunge Canada	Bunge North America	Fort Sask., AB	canola	700	700
Bunge Canada	Bunge North America	Harrowby, MB	canola	1,400	1,400
Cargill Ltd.	Cargill, USA	Clavet, SK	canola	2,000	2,400
Canbra Foods Ltd.	JRI International	Lethbridge, AB	canola	975	1,120
Jordan Mills	Independent (CAN)	Carman, MB	soybeans	n/a	200
Subtotal				9,075	10,920
Other	Independent (CAN)	various		725	30
Total				16,500	17,650

Note: (BG) brewers grit (CF) corn flour, (CM) corn meal, (CS) corn starch

n/a: not available

* the recently closed National Starch plant in Collingwood is being converted to ethanol production

** plant closed

Source: Milling and Baking Annual, Bakers Journal, AAFPC and industry estimates

A. SELLING PRICE OF BULK FEED INGREDIENTS AT SELECTED POINTS

June 12, 2006

SELECTED POINT	REFERENCE PERIOD	PRICE BASIS	(1)	WHEAT	OATS	BARLEY	CORN	PRICE BASIS	SOYBEAN MEAL	CANOLA MEAL	MILL-FEEDS	MEAT MEAL	FISH MEAL	ANIMAL FAT	GLUTEN MEAL	GLUTEN FEED	FEED PEAS	DEHY ALFALFA	FEATHER MEAL
Vancouver	June 12, 2006	FOB	143.00	143.00	N/A	137.00	144.00	256.00	152.00	152.00	102.00		1025.00	520.00					385.00
BC (4) (7)	June 5, 2006	FOB	143.00	143.00	N/A	137.00	148.50	269.50	160.00	160.00	100.00		1025.00	520.00					385.00
Calgary	June 12, 2006	FOB	113.00	113.00	N/A	111.00	133.00	249.50				125.00	1050.00	430.00					390.00
AB (4)	June 5, 2006	FOB	113.00	113.00	N/A	111.00	140.00	259.50				125.00	1000.00	430.00					390.00
Saskatoon	June 12, 2006	FOB	104.50	104.50	135.00	91.50	123.00	255.50	N/A	N/A		135.00	N/A	430.00			120.67		420.00
SK (4)	June 5, 2006	FOB	104.50	104.50	137.50	92.50	127.00	265.00	N/A	N/A		125.00	N/A	430.00			122.00		420.00
Winnipeg	June 12, 2006	FOB	146.00	146.00	140.00	113.00	120.00	240.50	N/A	N/A		260.00	1087.50	515.00					380.00
MB (4) (9)	June 5, 2006	FOB	143.50	143.50	140.00	113.50	122.00	249.00	N/A	N/A		260.00	1087.50	515.00					380.00
Thunder Bay	June 12, 2006	In-Store	137.50	137.50	N/A	107.50													
ON (8)	June 5, 2006	On Board	136.75	136.75	N/A	106.55													
Lake Ports	June 12, 2006	On Board				107.66													
USA (3)	June 5, 2006	Vessel				115.21													
Bay Ports	June 12, 2006	In-Store	163.00	163.00	210.00	132.00													
ON	June 5, 2006	Track	162.75	162.75	210.00	132.00													
Chatham	June 12, 2006	Track																	
ON	June 5, 2006																		
Toronto	June 12, 2006	N/A																	
ON (5)	June 5, 2006	N/A																	
Hamilton	June 12, 2006	N/A																	
ON	June 5, 2006	FOB																	
Eastern	June 12, 2006	FOB																	
ON	June 5, 2006	FOB																	
London	June 12, 2006	FOB																	
ON	June 5, 2006	FOB																	
Port Colborne	June 12, 2006	FOB																	
ON	June 5, 2006	FOB																	
Cardinal	June 12, 2006	FOB																	
ON	June 5, 2006	FOB																	
Montreal	June 12, 2006	FOB	165.00	165.00	155.00	147.00	125.00	248.77	183.23	183.23	80.00	175.00	850.00	401.50	N/A	N/A		270.00	360.00
QC (5)	June 5, 2006	In-Store	171.00	171.00	155.00	147.00	134.00	251.69	185.73	185.73	83.33	175.00	850.00	401.50	N/A	N/A		270.00	350.00
Trois-Rivières	June 12, 2006	In-Store	143.40	143.40	133.61	133.61													
QC	June 5, 2006	FOB	151.26	151.26	136.25	122.91	245.00												
St. Jean QC (2)	June 12, 2006	FOB	150.25	150.25	136.75	122.91	247.56												
St. Hyacinthe QC	June 5, 2006	In-Store	167.67	167.67	N/A	164.11	133.87	253.20	206.87	206.87									
Quebec	June 12, 2006	Track	200.94	200.94	0.00	167.40	164.94	286.64	200.81	200.81									
QC	June 5, 2006	Track	202.71	202.71	0.00	167.40	161.38	274.03	200.81	200.81									
Truro	June 12, 2006	Water	N/A	N/A	N/A	N/A	N/A												
NS	June 5, 2006	Truck	181.95	181.95	N/A	N/A	164.45	297.80	242.95	242.95	297.50		0.00						
Halifax	June 12, 2006	In-Store	185.70	185.70	N/A	N/A	164.10	291.75	232.25	232.25	297.50		0.00						
NS (6)	June 5, 2006																		

Closing date June 9/2006

US\$1.00 = CAN\$ 1.1072

N/A = not available

Source: Market Analysis Division, Agriculture and Agri-Food Canada; Thunder Bay prices are based on the Winnipeg Commodity Exchange (WCE) market close
Contact: André Dombé Statistical Clerk Telephone: (204) 983-0581 Fax: (204) 983-5524 Email: dombes@agr.gc.ca

Footnotes: All prices in Canadian dollars per metric tonne based on survey respondents.

Grain grades (unless otherwise specified) are: Western or Eastern Feed Wheat. Feed Oats. No.1 Canada Western or Eastern Barley. No.2 Canada Yellow Corn. No.3 US Yellow Corn. Soybean Meal 48 % Protein. Canola Meal based on minimum standard of 35% Protein. Fish Meal: white fish and/or herring meal. Gluten Meal 60% Protein. Gluten Feed 21% Protein.

(1) Wheat 3CWRS (2) Canadian Corn #3 or #2 (3) US Corn (4) Fish Meal from West Coast 63% Protein (5) Fish Meal 60% Protein (6) Herring Fish Meal (7) Fraser Valley (8) Wheat & Barley (Basis - Cash Price WCE) (9) Oats 3CW

B. CASH PRICES AND REPLACEMENT VALUES

June 12, 2006

PRAIRIE GRAINS

Selected Points	Price Basis		This week 12-Jun-06	Last week 29-May-06	Month ago 15-May-06	Year Ago 13-Jun-05
From: Thunder Bay(WCE) (2)	In-Store	Wheat	137.00	136.00	132.00	107.00
(CBOT)		Oat	186.50	180.20	197.60	142.75
(Lethbridge)		Barley	107.00	107.00	113.00	115.00
To: Bayport, ON (1)	In-store	Wheat	160.61	159.61	155.61	130.61
		Oat	N/A	N/A	N/A	N/A
		Barley	134.39	134.39	140.39	142.39
Montreal, QC (1)	In-store	Wheat	165.03	164.03	160.03	135.03
		Oat	N/A	N/A	N/A	N/A
		Barley	139.31	139.31	145.31	147.31
Moncton, NB	Truck via Halifax	Wheat	187.25	186.25	182.25	157.25
		Oat	N/A	N/A	N/A	N/A
		Barley	163.50	163.50	169.50	171.50
Truro, NS	Truck via Halifax	Wheat	181.22	180.22	176.22	151.22
		Oat	N/A	N/A	N/A	N/A
		Barley	161.00	161.00	167.00	169.00
Halifax, NS (1)	In-store	Wheat	172.28	171.28	167.28	142.28
		Oat	N/A	N/A	N/A	N/A
		Barley	147.30	147.30	153.30	155.30
Stephenville, NL	Track / Truck via Sydney	Wheat	235.63	234.63	230.63	205.63
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A
Melfort, SK		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Bayport, ON		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Montreal, QC		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Moncton, NB		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Truro, NS		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track / Truck via Sydney	Barley	N/A	N/A	N/A	N/A
Stephenville, NL		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A

Selected Points	Price Basis		This week 12-Jun-06	Last Week 29-May-06	Month Ago 15-May-06	Year Ago 13-Jun-05
Corn						
From: US Lake Port	On Board Vessel		107.66	112.03	115.21	102.30
To: Montreal, QC (1)	In-store		126.70	131.07	134.25	121.34
From: Chicago (IL)	Track		104.18	110.72	113.46	105.25
To: Montreal, QC	Track		133.04	139.58	142.32	134.11
From: Chatham, ON	Track		105.06	115.60	118.73	110.17
To: Montreal, QC	Track		128.93	139.47	142.60	134.04

Soymeal 48% Protein

From: Hamilton, ON			227.74	232.92	238.54	233.97
To: Montreal, QC	Track		252.07	257.25	262.87	258.30
Moncton, NB	Track		270.82	276.00	281.62	277.05
Truro, NS	Track		274.04	279.22	284.84	280.27
Stephenville, NL	Track / Truck via Sydney		322.67	327.85	333.47	328.90

1. Prices include ONE month of storage and interest charges n/a = not available
 2. Thunder Bay prices are based on the Winnipeg Commodities Exchange market close (Cash price)

Source: Market Analysis Division, Agriculture and Agri-Food Canada

Contact: André Doumbé: Statistical Clerk (204) 983-0581 Fax: (204) 983-5524 e-mail: doumbea@agr.gc.ca

Footnotes: All prices quoted in Canadian dollars per metric tonne.

Grain grades (unless otherwise specified) are: Canada Western Feed Wheat, Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn.

Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec.

Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable



Bi-weekly Bulletin

July 14, 2006 Volume 19 Number 10



BRAZIL

Brazil is one of the largest soybean producers in the world and has become the second largest exporter of soybeans. Its long-term potential to increase the production of soybeans at a low cost is one of the main factors to watch in relation to infrastructure and credit problems which constrain expansion. It has also played a major role in the on-going negotiations of the World Trade Organization as the leader, along with India, of the Group of Developing countries (G20). It is also a leader in the production and use of ethanol derived from its high sugar production. This issue of the *Bi-weekly Bulletin* examines the situation and outlook for Brazil for grains, oilseeds, pulses and special crops.

Introduction

Agriculture contributes 10% to Brazil's Gross Domestic Product (GDP) and employs 20% of the country's labour force. If agriculture related sectors, such as; packaging, crop inputs, biofuels and agricultural equipment are included, Agriculture would contribute nearly 30% to the GDP.

The main agriculture products produced in Brazil are: coffee, soybeans, wheat, rice, corn, sugar cane, cocoa, citrus, beef and poultry. The main exports are: cocoa, coffee, soybeans, beef, poultry, tobacco, orange juice, various tropical fruits and nuts.

Brazil faces major competitors on the international market from United States (US), the European Union (EU), Canada, Australia, New Zealand and other emerging nations such as Thailand, Malaysia, South Africa, Mexico and Chile.

Canadian agri-food exports to Brazil have declined steadily from CAN\$394 million (M)

in 1996 to CAN\$39M in 2005. This is largely due to the depreciation of the Brazilian *real* (R), along with competition from Mercosur countries, in which wheat exports, Canada's dominant export to Brazil, were replaced by less expensive Argentine wheat. Canada continues to have a substantial negative trade balance with Brazil (CAN\$512M in 2005) for agricultural and agri-food products, despite the fact that Brazil is a large importer. Canada's market share of Brazilian imports was less than 1% in 2005.

The successful negotiation of the Canada-Brazil Consultative Committee on Agriculture in June 2006 will provide both countries an instrument to improve the bilateral relationship and work strategically together towards areas of mutual interest. However, further branding and promotion by Agriculture and Agri-Food Canada's interdepartmental Brazil Team, will be necessary in order to gain a more balanced agri-food trading relationship with Brazil.

Agriculture Policy

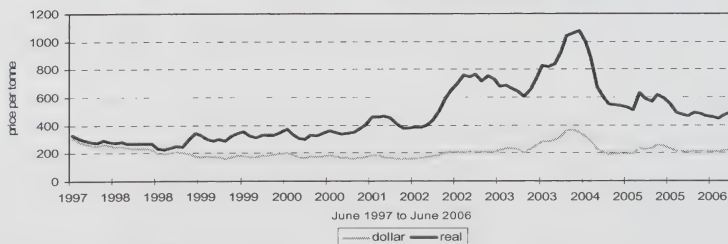
Brazilian agricultural policy is based on two main tools: credit and income guarantees to producers. Credit is provided for working capital, marketing, storage, and investment. Income guarantees rely on a set of devices developed under the Minimum Guaranteed Price Policy to support prices and producers' income.

Government credit is by far the dominant source of financing available to agricultural producers. The credit system provides financial resources at subsidized fixed, low-interest rates through separate production and marketing programs (60%), investment programs (30%), and programs for financing agribusinesses at market rates (10%).

Brazilian agriculture has been in a financial crisis. The *real* has appreciated by 29% for the past three years, from 3.07 reals per US dollars (R/US\$) in 2003 to 2.19 R/US\$ for 2006 to date. This is in comparison to a depreciation of 185% from 1997 to 2003. The recent appreciation of the *real* depressed domestic prices significantly. The Chicago Board of Trade (CBOT) soybean future prices in US dollars decreased by 28%, from US\$297 per tonne (t) for 2003-2004 to US\$214/t for 2005-2006 to date. For the same period, CBOT soybean prices in reals decreased by 46% from 878 R/t to 474 R/t.

The rising energy price has significantly raised input costs for Brazilian producers, such as fertilizer, machinery and transportation costs. As a result, local soybean prices have been below production costs in some areas. Producers have been unable to pay off their debts and farmland

CHICAGO BOARD OF TRADE: MONTHLY SOYBEAN
PRICES (IN US DOLLARS AND BRAZILIAN REALS)



Source: CBOT, Pacific Exchange Rate Service

prices have been declining sharply. The drought and soybean rust made the situation even worse.

On April 6, 2006 the Minister of Agriculture, Roberto Rodrigues, announced an aid package of \$14.7 billion (G) reais (US\$6.9G) to alleviate financial difficulties. This is the second year in a row that the Brazilian government has helped farmers with an aid package.

On May 12, 2006, the Brazilian government announced a plan offering US\$470M in price supports to soybean growers. On May 26, 2006, the government announced another aid package primarily for debt deferments up to 4 years. Soybean farmers are struggling with low prices, a 75% increase in internal transportation costs and sharply higher fertilizer, fuel and rust control chemical costs.

The Brazilian government's support to producers has been very low, amounting to about 3% of the value of production in 2004. Only a small portion of the latest aid package will provide a subsidy, and therefore will not likely affect production or trade. The aid is expected to increase Brazil's level of producer support by an additional percentage point in 2006.

Trade Agreements

Mercosur, the Southern Common Market customs union, was formed in 1991 by Brazil, Argentina, Paraguay and Uruguay. Venezuela became the fifth member on July 4, 2006. There are currently five associate members of Mercosur, i.e. Bolivia, Colombia, Ecuador, Peru, and Chile.

Mercosur is presently involved in 24 trade dialogues and negotiations, with partners such as India, the South African Customs Union, Egypt, Morocco, China and Mexico. In 2004, Mercosur signed a trade agreement with the Andean Community comprised of Bolivia, Columbia, Ecuador, Peru and Venezuela.

On May 11, 2005 Mercosur signed a free trade zone frame agreement with the Gulf Cooperation Council, consisting of Saudi Arabia, Bahrain, Qatar, the United Arab Emirates, Kuwait, and Oman.

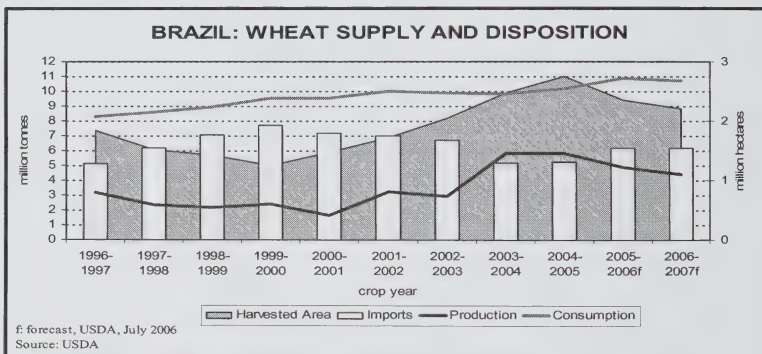
Wheat

Brazil is one of the world's five leading wheat importers. Over the last five years, Brazilian wheat imports averaged 6.4 million tonnes (Mt), accounting for 65% of the total domestic consumption. Over the past ten years, while wheat consumption increased steadily, wheat imports have been relatively stable, as seeded area and production increased. However, wheat area was still small, at about 11% and 17% of the area harvested for soybean and corn, respectively.

For 2005-2006, wheat production decreased to 4.9 Mt, 17% below 2004-2005, as heavy rains during harvest led to a fall in harvested area and lower yields. Imports are forecast to rise by 19% to 6.2 Mt, mostly from Argentina, Paraguay and the US. Brazilian wheat imports from the US are largely Hard Red Winter (HRW) wheat. Brazil has not historically been a wheat exporter. However, in 2003-2004, it exported 1.3 Mt of wheat due to excessive supplies of medium to lower quality wheat. In 2005-2006, Brazilian exports are estimated at 0.75 Mt.

For 2006-2007, area seeded is forecast to fall slightly and, assuming average yields, production is forecast to decrease by 10% to 4.4 Mt, with imports unchanged at 6.2 Mt and exports declining to 0.03 Mt.

Brazil was an important wheat market for Canada and Canadian exports averaged 1.4 Mt during the 1991-1992 to 1995-1996 period. However, Canadian wheat exports to Brazil have decreased significantly since then. With the establishment of the Mercosur, a 10% tariff differential plus a



BIOFUELS

Brazil is the world's largest producer of biofuels, producing 16.5 billion litres (GL) and exporting over 2.0 GL of ethanol in 2005. In Brazil, renewable fuels account for over 20% of transportation fuels.

The Brazilian government began a National Fuel Alcohol Program in the 1970s to increase the share of domestically produced fuel used in the transportation sector. The original program was eliminated but the government still provides support to ethanol production through a combination of market regulation and tax incentives. Primary support through market regulation takes the form of an official blending ratio of ethanol with gasoline of between 20-25% in transportation fuel.

In Brazil, ethanol is produced from sugarcane, which is a more efficient source of fermentable carbohydrates as well as much easier to grow and process. One tonne of harvested sugarcane contains about 145 kilograms (kg) of dry fiber (bagasse) and 138 kg of sucrose. If the cane is processed for ethanol and all the sucrose is used, 72 L of ethanol is produced. Vehicles that can run on ethanol, gasoline or a mixture of the two account for 70% of all vehicles manufactured in Brazil. The US produced 16.2 GL of fuel ethanol and imported 500 ML almost all from Brazil, in 2005. As a low cost ethanol producer, Brazil may be interested in exporting ethanol to Canada. However, Canada has an import tariff of CAN\$0.0492 per litre on ethanol.

On October 30, 2002, Brazil introduced the Prodiel program to develop technology for the production, industrialization, and use of biodiesel, and its mixtures with diesel using pure and residual veg oils. The Brazilian government has also enacted a law establishing biodiesel obligations: 2% by the end of 2007 (800 ML per year) and a final goal of 20% by 2020 (12 GL per year).

25% tax on the freight for non-Mercosur countries practically excludes Canadian wheat from being priced competitively with Argentinean wheat. In addition, the closer proximity, as well as less expensive (lower quality) wheat, gives Argentina a geographical advantage in the price sensitive Brazilian market. For 2005-2006, Canadian wheat exports to Brazil are forecast at 40,000 t. For 2006-2007, Canadian wheat exports to Brazil are forecast to be similar to 2005-2006.

Corn

Brazil is the third largest corn producer in the world only behind the US and China. A major portion of the corn crop is consumed by the large livestock industry. The poultry industry accounts for about 60% of the domestic feed use. The corn crop is predominantly non-genetically modified (GM).

For 2005-2006, corn production increased to 41.0 Mt, 17% above 2004-2005 due to higher harvested area and yields. Imports are forecast at 0.5 Mt, mostly from Paraguay and Argentina. Brazilian corn exports are estimated at 1.5 Mt, up from the previous year but much lower than before, as Brazilian export prices are not competitive with US and Argentine free on board (FOB) prices, partially due to the relative strength of the *real* against the US dollar.

For 2006-2007, area seeded to corn is forecast to fall marginally and, assuming average yields, production is forecast to decrease marginally to 40.5 Mt. However, due to large carry-in stocks and an expected rise in imports, Brazilian corn supplies are forecast to rise marginally, while exports are projected to drop by 50% to 1.0 Mt.

Barley and Oats

For 2005-2006, Brazilian barley imports are estimated at 150,000 tonnes (t) and are consumed domestically as feed. For 2006-2007, Brazilian barley imports are forecast to be similar to 2005-2006.

Canadian malt exports to Brazil have decreased significantly since 1997-1998, when exports reached the highest of 114,000 t. Competition from cheaper, lower quality EU malt and preferential treatment for Mercosur countries are the major factors contributing to declining market shares for Canada. For 2005-2006, Canadian malt exports to Brazil are expected to be similar to 2004-2005 at 27,000 t. For 2006-2007, Brazilian malt imports are forecast to be

similar to 2005-2006 with Canadian malt exports to Brazil unchanged from last year.

Brazilian oat production for 2006-2007 is projected at 0.5 Mt, down marginally from 2005-2006. The majority of oats used in Brazil are also consumed as feed, with very little used for food use.

Soybeans

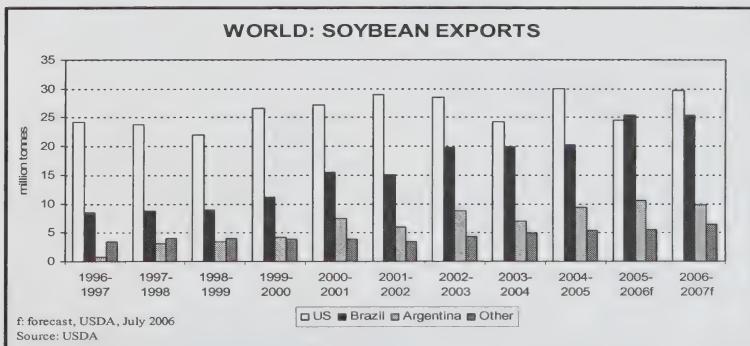
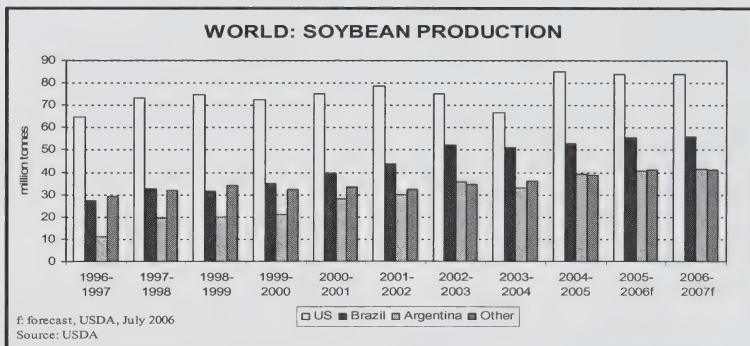
Brazil is one of the largest exporters of soybeans, soymeal and soyoil with over 30% of the market share. The use of soybeans and soybean products in animal feed has been a major factor in the increase of soybean production. Brazilian exports of these three commodities have risen from 17 Mt to over 40 Mt in the last 10 years.

It is expected that in 3-5 years, Brazil will be the world's largest producer of soybeans. Lower production costs give Brazil a strong competitive edge in international markets for soybeans. The cost of production in Brazil is much lower than in Canada and the US and has contributed to Brazil's increase in market share. Currently, this advantage is partially offset by higher transportation and marketing costs to export destinations.

Brazil plays an important role in determining soybean prices. Brazil produces about 25% of world's soybean production. Between Brazil and Argentina, they account for about 55% of the world market for soybean exports.

Brazil is one of the few major soybean producers that have officially banned the use of GM varieties. However, producers would like to have the option to plant both GM and non-GM soybeans so they can capture cost savings and improve productivity. Brazil feels that it will lose access to markets in Europe and Asia, if GM soybeans are approved for commercial use.

For 2005-2006, soybean production increased to a record 55.0 Mt, 4% above 2004-2005 due to higher yields. As a result, Brazilian soybean exports for the October-September marketing year are currently estimated at a record 25.3 Mt, up 26% from 2004-2005. The main markets for Brazilian soybeans are China and the EU. The appreciation of the *real* and the high transportation and handling costs have depressed soybean prices in interior producing areas to levels below production costs.



For 2006-2007, area seeded to soybeans is expected to fall for the second consecutive year, in response to low prices from burdensome domestic stocks and large US supplies. This, combined with high costs for fungicides required to control the spread of the Asian Rust Fungus is expected to cause producers to shift area out of soybeans and into rice. However, Brazilian soybean production is forecast to increase marginally to 56.0 Mt, due to higher yields. Soybean exports are forecast to fall marginally to 25.4 Mt.

Soymeal

The domestic demand for soymeal has increased in line with the expansion in the poultry sector. Approximately 65% of domestic soymeal consumption goes to the poultry sector and 25% goes to pork production. Generally, about 60-65% of the soymeal produced is exported, mainly to Japan and China.

For 2005-2006, domestic crush of soybeans is estimated at 27.5 Mt, down 6% from last year. Soymeal production is estimated at 21.2 Mt, marginally below the record production of 2004-2005. With lower total supplies, soymeal exports are projected at 12.4 Mt, compared to 14.2 Mt in 2004-2005.

For 2006-2007, soybean crush and soymeal production are projected to rise to 28.0 Mt and 21.7 Mt, respectively. Exports are forecast to increase marginally to 12.5 Mt.

Soyoil

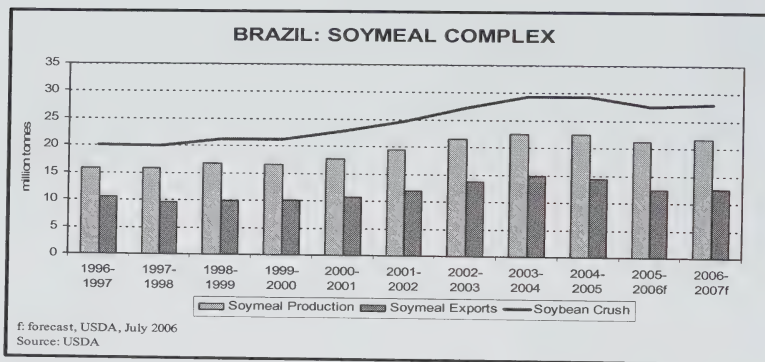
Soyoil and canola oil are substitutes in the vegetable oil market. As Brazilian soybean exports increase, the world price of soybeans falls, depressing the price of canola. Brazilian soyoil production and exports have been flat during the last 4 years, at about 5.5 Mt and 2.4 Mt, respectively.

For 2005-2006, soyoil production is projected to fall by 6% to 5.1 Mt and exports are forecast to decrease by 13% to 2.1 Mt.

For 2006-2007, soyoil production is forecast to increase to 5.2 Mt, while exports are forecast to be similar to 2005-2006.

Pulse and Special Crops

Brazil is the second or third largest, depending on the year, market for Canadian **canary seed**. In 2004-2005 Canadian



exports were 24,000 t and are expected to increase to 25,000 t in 2005-2006.

For 2006-2007, Canadian exports are forecast to remain at about 25,000 t. Although Argentina is the preferred supplier of canary seed to Brazil because of the free trade agreement, its production is only about 18,000 t. Therefore, Canada supplies most of the canary seed used in Brazil.

Canada exported 8,000 t of **dry peas** to Brazil in 2004-2005. Exports for 2005-2006 and 2006-2007 are expected to be similar to 2004-2005. Brazil imports green peas for food use. Imports have been relatively stable during the past 5 years at about 22,000 t. Argentina is the main supplier.

Canada exported 13,000 t of **lentils** to Brazil in 2004-2005. Exports for 2005-2006 and 2006-2007 are expected to be similar to 2004-2005. Brazil imports mostly large green lentils. Nearly all of Brazilian lentil imports were from Canada. Imports have been relatively stable.

Canada exported 1,400 t of **chickpeas** to Brazil in 2004-2005. Exports for 2005-2006 are expected to be similar to 2004-2005, but increase to 2,000 t in 2006-2007, as Canadian production increases. Brazil imports mostly large kabuli chickpeas. Imports have been relatively stable during the past 5 years at about 4,000 t. Mexico and Canada are the main suppliers.

Market Prospects

Canada is expected to continue to support existing exports of Canadian agricultural products to Brazil while exploring new opportunities with agricultural organizations that have targeted Brazil as

potential market. Canada will continue to explore niche opportunities to reach Brazil's consumer market for agricultural foods.

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CANADA: GRAINS AND OILSEEDS OUTLOOK

June 27, 2006

Statistics Canada (STC) estimates that the areas seeded to non-durum wheat, oats, corn, mixed grains, flaxseed and soybeans have increased for 2006, while areas for durum wheat, barley, canola, rye and summerfallow have decreased. Crop development and condition is, in general, normal. It is assumed that precipitation will be normal for the growing and harvest periods and that quality will be normal. Trend yields are assumed for both western and eastern Canada, as soil moisture reserves are good in most areas, although there are areas which are too dry and other areas which have excessive moisture. The abandonment rate is expected to be normal. However, in north-eastern Saskatchewan it is estimated that more than 400,000 hectares will not be seeded this year due to excessive moisture, and the AAFC harvested area projections have been adjusted accordingly.

AAFC forecasts that total production of grains and oilseeds in Canada will decline by 6% from 2005-06, to 63 million tonnes (Mt), above the 10-year average of about 60 Mt. In western Canada, production is forecast to decline by 7%, to 47.3 Mt, with eastern Canadian production down by 2%, at 15.5 Mt. Exports and domestic use are expected to increase in 2006-07. Non-durum wheat, canola, feed barley and corn prices are expected to increase from 2005-06, while durum, oat, flaxseed and soybean prices are expected to decrease. Prices will continue to be pressured by the strong Canadian dollar. The major factors to watch are: growing conditions in the US corn belt, US and Canadian spring wheat crop conditions, the biofuel market, ocean freight rates and the Canada/US exchange rate.

DURUM

For 2006-07, production is forecast to decrease by 35% due to lower area seeded and yields. This is partly offset by higher carry-in stocks. Supply is forecast to fall by 16% to 7.1 Mt, but remain 8% above the 10-year average. Exports are expected to decrease by 9%, due to increased production in North Africa and the EU, the major importing regions. Carry-out stocks are forecast to fall by 27%, but remain 22% above the 10-year average. The Canadian Wheat Board (CWB) Pool Return Outlook (PRO) is below 2005-06 for most grades due to lower demand and the strong Canadian dollar. The discount of No.1 CWAD 11.5 durum to No.1 CWSR 11.5 wheat is projected at \$17/t, the largest on record.

WHEAT (ex-durum)

Production is forecast to increase by 8%, with the larger harvested area only partly offset by lower expected trend yields. Higher carry-in stocks will also contribute to increased supply. Exports are forecast to increase by 25% due to record production of 2.4 Mt in Ontario and increased supply of high quality wheat in western Canada. Wheat feeding is expected to decline, due to reduced supplies of feed wheat. Carry-out stocks are expected to decline by 10%, to a level close to the 10-year average. The CWB PRO for most grades/classes is up from 2005-06 due to higher world prices, which more than offset the strong Canadian dollar. However, the premiums for high protein No.1 CWSR are forecast to decrease due to the expected better quality of the 2006 Canadian and US HRS crops.

BARLEY

Production is forecast to decrease by 12% due to lower area and yields. Lower carry-in stocks will also contribute to a 13% decrease in supply. Exports are forecast to decrease by 19%, as lower feed barley exports are only partially offset by higher exports of malting barley. Despite lower exports and domestic feed use, carry-out stocks are forecast to fall significantly. The average

off-Board feed barley price (No.1 CW, in-store Lethbridge) is forecast to increase by \$20/t from 2005-06 to \$130/t. The CWB PRO for No. 1 CW feed barley for Pool A in 2006-07 is \$113/t, vs. \$122/t for Pool B in 2005-06. The CWB PRO for SS2R malting barley is \$161/t vs. \$170/t for 2005-06, due to strong export competition from Australia.

CORN

Production is forecast to decrease by 6% as a result of lower yields. Imports are forecast to increase significantly from 2005-06, as a result of lower domestic supply and strong demand for animal feed and ethanol. Carry-out stocks are forecast to drop by 22%. The average price at Chatham elevator is forecast to increase by \$20/t due to higher US corn prices.

OATS

Production is forecast to increase by 17% due to larger area and a return to normal abandonment rates. Supply is expected to increase as higher production more than offsets lower carry-in stocks. Exports are forecast to rise marginally from 2005-06, as a result of strong US import demand. Although feed use is expected to rise significantly, carry-out stocks are projected to rise by 22%. Chicago Board of Trade oat nearby futures prices are forecast to decrease by Cdn\$15/t from 2005-06 to Cdn\$125/t, narrowing the US price premium for oats over corn.

CANOLA

Production is forecast to decrease by 16% to 8.1 Mt because of slightly lower area and yields. Supply is expected to decrease by 6%, but remain historically high, due to burdensome carry-in stocks. Exports are forecast to remain at the record setting pace of 2005-06 largely due to reduced competition from the EU-25 and increased European bio-diesel production. Domestic crush is forecast to rise slightly following expansions to some processing plants. Carry-out stocks are forecast to fall but will remain significantly above the 10 year average. Prices are expected to rise from

the low of 2005-06, but will be pressured by lower US soyoil prices.

FLAXSEED (excluding solin)

Production is forecast to decrease by 6% due to lower yields. Supply is expected to rise sharply because of burdensome carry-in stocks resulting from high production in 2005-06 and low EU imports. Although exports and total domestic use are forecast to rise, carry-out stocks are expected to increase to a burdensome 0.75 Mt vs. the 10-year average of 0.2 Mt. As a result, prices are forecast to decline.

SOYBEANS

Production is forecast to decrease by 6%, as lower yields more than offset the rise in area. Supply is forecast to decrease as reduced output more than offsets the projected rise in imports and carry-in stocks. Exports are forecast to increase to a record high, while domestic crush increases slightly from 2005-06. Although carry-out stocks are forecast to fall, prices are expected to pressure by lower US soybean prices.

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CANADA: GRAINS AND OILSEEDS SUPPLY AND DISPOSITION

June 27, 2006

Grain and Crop Year (a)	Area Seeded thousand ha	Area Harvested thousand ha	Yield t/ha	Production	Imports (b)	Total Supply thousand metric tonnes	Exports (c)	Food & Industrial Use (e)	Feed, Waste & Dockage	Total Domestic Use (d)	Carry-out Stocks	Average Price (f) \$/t
Durum												
2004-2005	2,230	2,141	2.32	4,962	1	6,752	3,218	254	536	1,013	2,521	201
2005-2006F	2,341	2,297	2.58	5,915	1	8,436	4,050	255	671	1,086	3,300	179*
2006-2007F	1,725	1,710	2.24	3,825	1	7,126	3,700	260	566	1,026	2,400	175**
Wheat Except Durum												
2004-2005	8,169	7,722	2.71	20,898	13	25,203	11,593	2,845	4,521	8,138	5,471	190
2005-2006F	7,753	7,530	2.77	20,860	19	26,351	12,000	2,870	4,385	8,151	6,200	186*
2006-2007F	9,025	8,700	2.58	22,475	10	28,685	15,000	3,100	4,125	8,085	5,600	192**
All Wheat												
2004-2005	10,399	9,862	2.62	25,860	14	31,955	14,812	3,099	5,056	9,151	7,992	
2005-2006F	10,094	9,826	2.72	26,775	20	34,787	16,050	3,125	5,056	9,237	9,500	
2006-2007F	10,750	10,410	2.53	26,300	11	35,811	18,700	3,360	4,691	9,111	8,000	
Barley												
2004-2005	4,678	4,050	3.26	13,186	83	15,371	1,863	268	9,358	10,019	3,489	112
2005-2006F	4,440	3,889	3.21	12,481	45	16,015	2,700	260	9,650	10,315	3,000	105-115
2006-2007F	4,090	3,510	3.11	10,930	30	13,960	2,200	270	9,085	9,760	2,000	120-140
Corn												
2004-2005	1,185	1,072	8.24	8,837	2,422	12,401	242	2,395	7,951	10,358	1,802	100
2005-2006F	1,124	1,096	8.63	9,461	1,600	12,862	250	2,500	8,297	10,812	1,800	90-110
2006-2007F	1,135	1,105	8.01	8,855	2,900	13,555	200	3,300	8,640	11,955	1,400	110-130
Oats												
2004-2005	1,995	1,315	2.80	3,683	26	4,497	1,675	118	1,560	1,834	988	131
2005-2006F	1,853	1,326	2.59	3,432	15	4,435	1,700	140	1,525	1,835	900	135-145
2006-2007F	2,205	1,555	2.57	4,000	10	4,910	1,750	140	1,745	2,060	1,100	115-135
Rye												
2004-2005	284	165	2.53	418	1	487	122	48	155	220	145	69
2005-2006F	226	148	2.42	359	1	505	120	48	160	225	160	70-80
2006-2007F	205	134	2.24	300	1	461	110	48	156	221	130	80-100
Mixed Grains												
2004-2005	220	111	2.87	318	0	318	0	0	318	318	0	
2005-2006F	209	109	2.78	303	0	303	0	0	303	303	0	
2006-2007F	230	121	2.85	345	0	345	0	0	345	345	0	
Total Coarse Grains												
2004-2005	8,362	6,713	3.94	26,442	2,531	33,074	3,902	2,828	19,342	22,749	6,424	
2005-2006F	7,852	6,568	3.96	26,036	1,661	34,121	4,770	2,948	19,936	23,491	5,860	
2006-2007F	7,865	6,425	3.80	24,430	2,941	33,231	4,260	3,758	19,971	24,341	4,630	
Canola												
2004-2005	5,319	4,938	1.57	7,728	108	8,444	3,412	3,031	328	3,403	1,629	309
2005-2006F	5,491	5,283	1.83	9,660	125	11,415	5,000	3,400	470	3,915	2,500	270-290
2006-2007F	5,420	5,156	1.58	8,125	150	10,775	5,000	3,450	480	3,975	1,800	270-310
Flaxseed												
2004-2005	728	528	0.98	517	39	648	468	n/a	n/a	151	30	n/a
2005-2006F	842	803	1.35	1,082	40	1,152	425	n/a	n/a	227	500	275-285
2006-2007F	858	800	1.26	1,010	20	1,530	550	n/a	n/a	230	750	225-265
Soybeans												
2004-2005	1,229	1,178	2.59	3,048	393	3,581	1,122	1,610	457	2,190	270	248
2005-2006F	1,176	1,169	2.70	3,161	300	3,731	1,250	1,600	461	2,181	300	215-225
2006-2007F	1,210	1,197	2.48	2,970	350	3,620	1,350	1,650	270	2,020	250	195-235
Total Oilseeds												
2004-2005	7,277	6,643	1.70	11,293	540	12,674	5,002	4,641	927	5,743	1,929	
2005-2006F	7,510	7,255	1.92	13,904	465	16,298	6,675	5,000	931	6,323	3,300	
2006-2007F	7,487	7,154	1.69	12,105	520	15,925	6,900	5,100	750	6,225	2,800	
Total Grains And Oilseeds												
2004-2005	26,038	23,219	2.74	63,596	3,085	77,703	23,715	10,568	25,325	37,643	16,345	
2005-2006F	25,456	23,650	2.82	66,715	2,146	85,206	27,495	11,073	25,923	39,050	18,660	
2006-2007F	26,103	23,989	2.62	62,835	3,472	84,967	29,860	12,218	25,412	39,677	15,430	

(a) Crop year is August-July except corn and soybeans which are September-August.

(b) Excludes imports of products. (c) Includes exports of products for wheat, oats, barley, and rye. Excludes exports of oilseed products.

(d) Total Domestic Use = Food and Industrial Use + Feed Waste & Dockage + Seed Use

(e) Soybean food and industrial use is based on data from the Canadian Oilseed Processors Association. Totals excludes flaxseed due to data confidentiality.

(f) Crop year average prices: No. 1 CWRS 11.5% protein and No. 1 CWAD 11.5% (CWB final price I/S St. Lawrence/Vancouver); Barley (No. 1 feed, WCE, cash, I/S Lethbridge); Corn (No. 2 CE, cash, I/S Chatham); Oats (US No. 2 Heavy, CBOT nearby futures); Rye (No. 2 Canada, Elevator bids at select western delivery points); Canola (No. 1 Canada, WCE, cash, I/S Vancouver); Flaxseed (No. 1 CW, WCE, cash, I/S Thunder Bay); Soybeans (No. 2, I/S Chatham).

* Canadian Wheat Board Pool Return Outlook - May 25, 2006

** CWB PRO - June 22, 2006

F: Forecast; Agriculture and Agri-Food Canada — June 27, 2006

Source: Statistics Canada, Cereals and Oilseeds Review Series, Cat. No. 22-007



CANADA: PULSE AND SPECIAL CROPS OUTLOOK

June 27, 2006

For 2006-07, the total area seeded to pulse and special crops in Canada decreased by 12% from 2005-06, as higher areas for dry peas, chickpeas and buckwheat were more than offset by lower areas for lentils, dry beans, mustard seed, canary seed and sunflower seed. Statistics Canada's (STC) seeded area survey, conducted during May 24 to June 4 and released on June 22, provided estimates for most pulse and special crops by province, but for some of the smaller producing provinces the area seeded has been forecast by AAFC. Crop development and condition is, in general, normal. It is assumed that precipitation will be normal for the growing and harvest periods and that quality will be normal. Trend yields are assumed for both western and eastern Canada, as soil moisture reserves are good in most areas, although there are areas which are too dry and other areas which have excessive moisture. The abandonment rate is expected to be normal, except for dry peas and canary seed in Saskatchewan for which slightly higher than normal abandonment is forecast because of excessive moisture in north-eastern Saskatchewan, where a significant portion of these crops are produced.

Total production in Canada is forecast to decrease by 16%, from 2005-06, to 4.47 million tonnes (Mt). Total supply is expected to decrease by 11% to 5.98 Mt, as higher carry-in stocks offset some of the decrease in production. Exports, domestic use and carry-out stocks are forecast to decrease because of lower supply. Average prices, over all types, grades and markets, are forecast to increase for dry peas, lentils, mustard seed, canary seed and sunflower seed, decrease for dry beans and chickpeas, and be the same for buckwheat. The stronger Canadian dollar, compared to the US dollar, is expected to have the largest impact on dry bean and sunflower seed prices, as Canadian prices for these crops are directly related to US prices. The main factors to watch are weather conditions, especially precipitation, during the growing and harvest periods in Canada. Other factors to watch are the exchange rates of the Canadian dollar against the US dollar and other currencies, ocean shipping rates and growing conditions in the major producing regions, especially the United States, the European Union, Turkey, Australia, India and Mexico.

DRY PEAS

For 2006-07, production and supply are forecast to decrease, as lower yields and higher abandonment more than offset the 4% increase in seeded area. Production is expected to decrease for yellow, green and other types. World supply is expected to remain stable at 12.2 Mt as higher production, mainly in the US and EU, is offset by lower carry-in stocks. Canadian exports are forecast to decrease because of lower Canadian supply and lower demand in the EU feed markets. Carry-out stocks are forecast to decrease, with a stocks-to-use ratio (s/u) of 8%. The average price, over all types, grades and markets, is expected to rise from 2005-06 due to lower Canadian supply.

LENTILS

For 2006-07, production and supply are forecast to decrease sharply due to a 34% lower seeded area and lower yields. Production is expected to decrease sharply for large, medium and small green lentils, but increase for red lentils. Carry-in stocks are forecast to be high for green lentils, but low for red lentils. World supply is forecast to decrease marginally to 4.54 Mt, due to a fall in the supply of green lentils. Canadian exports are expected to increase because of a higher supply of red lentils. Carry-out stocks are forecast to decrease sharply, with a s/u of 41%. The average price is forecast to increase for green lentils, but decrease for red lentils as the supply of green lentils decreases, while the supply of red lentils increases. Over all types and grades, the average price is forecast to increase.

DRY BEANS

For 2006-07, production is expected to increase marginally, as a 15% lower seeded area is more than offset by lower abandonment and higher yields. Production is forecast to be similar to 2005-06 for all classes of dry beans, white pea, pinto, Great Northern, dark and light red kidney,

cranberry, black, small red and pink. Supply is expected to increase slightly because of higher carry-in stocks. In the US, production is expected to decrease by 8% to 1.09 Mt, while supply decreases only marginally to 1.32 Mt due to higher carry-in stocks. Canadian exports are forecast to increase due to the higher supply. Carry-out stocks are expected to remain stable, with a s/u of 7%. The average price, over all classes and grades, is forecast to decrease because of the higher Canadian supply and the stronger Canadian dollar.

CHICKPEAS

For 2006-07, production and supply are forecast to increase, as an 82% higher seeded area more than offsets lower yields. Production is forecast to increase for all types, large kabuli, small kabuli and desi. World supply is expected to decrease by 2% to 9.0 Mt, as an increase for the kabuli type is more than offset by a decrease for the desi type. Although Canadian exports are forecast to increase because of the higher supply, carry-out stocks are expected to rise, with a s/u of 13%. The average price, over all types and grades, is forecast to fall due to higher world supply of the kabuli type, which accounts for about 80% of Canadian production, although the price of the desi type is forecast to increase.

MUSTARD SEED

For 2006-07, production and supply are forecast to decrease because of a 34% lower seeded area and lower yields. Production is expected to decrease for all types, yellow, brown and oriental. A significant portion of the carry-in stocks is expected to be low quality seed. Exports are expected to rise due to higher demand and carry-out stocks are forecast to decrease sharply, with a s/u of 34%. The average price, over all types and grades, is expected to increase due to the lower supply.

CANARY SEED

For 2006-07, production and supply are forecast to decrease due to a 34% lower seeded area and lower yields. World supply is forecast to decrease by 21% to 345,000 t. Canadian exports are expected to decrease slightly due to higher prices, while carry-out stocks decrease sharply, with a s/u of 43%. The average price is forecast to rise because of the lower supply.

SUNFLOWER SEED

For 2006-07, production and supply are forecast to increase as a 15% lower seeded area is more than offset by lower abandonment and higher yields. Production is expected to increase for both types, confectionery and oilseed. US supply is expected to decrease by 15% to 1.63 Mt. Canadian exports are forecast to increase because of the higher supply. Carry-out stocks are expected to remain stable, with a s/u of 15%. The average price, over both types, is forecast to increase only slightly, as support from lower US supply is mostly offset by pressure from higher Canadian supply and the stronger Canadian dollar.

BUCKWHEAT

For 2006-07, Canadian production and supply are forecast to increase due to higher seeded area. The average price is expected to be the same as in 2005-06.

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CANADA: PULSE AND SPECIAL CROPS SUPPLY AND DISPOSITION

June 27, 2006

Grain and Crop Year (a)	Area Seeded thousand ha	Area Harvested thousand ha	Yield t/ha	Production	Imports (b)	Total Supply thousand metric tonnes	Exports (b)	Total Domestic Use (d)	Carry-out Stocks	Average Price (e) \$/t
Dry Peas										
2002-2003	1,297	1,050	1.30	1,365	41	1,681	626	745	310	210
2003-2004	1,303	1,271	1.67	2,124	24	2,458	1,316	937	205	175
2004-2005	1,388	1,345	2.48	3,338	57	3,600	1,853	1,152	595	135
2005-2006f	1,366	1,319	2.35	3,100	90	3,785	2,400	1,035	350	110-130
2006-2007f	1,420	1,349	2.18	2,940	100	3,390	2,100	1,040	250	110-140
Lentils										
2002-2003	601	387	0.91	354	9	494	320	119	55	390
2003-2004	554	536	0.97	520	5	580	367	175	38	420
2004-2005	778	750	1.28	962	10	1,010	451	314	245	310
2005-2006f	884	862	1.48	1,278	10	1,533	640	313	580	220-240
2006-2007f	587	558	1.24	690	10	1,280	670	240	370	235-265
Dry Beans										
2002-2003	230	219	1.89	414	40	489	298	96	95	445
2003-2004	167	167	2.13	356	31	482	344	83	55	495
2004-2005	163	126	1.75	220	28	303	278	20	5	650
2005-2006f	197	175	1.85	324	35	364	295	44	25	485-505
2006-2007f	168	166	1.96	325	30	380	310	45	25	455-485
Chickpeas										
2002-2003	221	154	1.01	156	9	345	105	160	80	300
2003-2004	63	63	1.08	68	2	150	74	51	25	330
2004-2005	47	39	1.31	51	4	80	47	28	5	385
2005-2006f	79	73	1.42	104	8	117	75	37	5	470-490
2006-2007f	144	132	1.21	160	5	170	110	40	20	385-415
Mustard Seed										
2002-2003	289	255	0.60	154	9	196	114	22	60	595
2003-2004	340	328	0.69	226	2	288	121	75	92	390
2004-2005	317	304	1.01	306	1	399	119	86	194	295
2005-2006f	212	206	0.98	201	1	396	135	86	175	255-275
2006-2007f	140	135	0.89	120	1	296	140	81	75	285-315
Canary Seed										
2002-2003	287	227	0.78	176	0	206	160	26	20	575
2003-2004	251	243	0.93	226	0	246	165	14	67	345
2004-2005	356	318	0.95	301	0	368	163	35	170	230
2005-2006f	190	186	1.22	227	0	397	180	32	185	180-200
2006-2007f	125	117	0.98	115	0	300	175	35	90	195-225
Sunflower Seed										
2002-2003	100	95	1.65	157	21	200	105	60	35	440
2003-2004	119	115	1.30	150	16	201	96	80	25	405
2004-2005	87	59	0.92	54	35	114	32	64	18	490
2005-2006f	93	75	1.19	89	25	132	45	67	20	335-355
2006-2007f	79	74	1.49	110	20	150	60	70	20	335-365
Buckwheat										
2002-2003	12	12	1.00	12	1	16	6	7	3	340
2003-2004	9	9	1.11	10	1	14	5	7	2	355
2004-2005	9	7	0.71	5	1	8	4	4	0	355
2005-2006f	7	6	1.33	8	1	9	4	5	0	345-365
2006-2007f	10	9	1.00	9	1	10	5	5	0	340-370
Total Pulse And Special Crops (c)										
2002-2003	3,036	2,399	1.16	2,788	130	3,627	1,734	1,235	658	
2003-2004	2,805	2,732	1.35	3,680	81	4,419	2,488	1,422	509	
2004-2005	3,145	2,948	1.78	5,237	136	5,882	2,947	1,703	1,232	
2005-2006f	3,028	2,902	1.84	5,331	170	6,733	3,774	1,619	1,340	
2006-2007f	2,673	2,540	1.76	4,469	167	5,976	3,570	1,556	850	

(a) August-July crop year.

(b) Excludes products.

(c) Includes Pulse Crops (dry peas, lentils, dry beans, chick peas) and Special Crops (mustard seed, canary seed, sunflower seed, buckwheat)

(d) Includes food, feed, seed, waste and dockage. Total domestic use is calculated residually.

(e) Producer price, FOB plant. Average over all types, grades and markets.

f: forecast, Agriculture and Agri-Food Canada, June 27, 2006

Source: Statistics Canada and industry consultations.

A. SELLING PRICE OF BULK FEED INGREDIENTS AT SELECTED POINTS																		July 10, 2006					
SELECTED POINT	REFERENCE PERIOD	PRICE BASIS	(1) WHEAT	OATS	BARLEY	CORN	PRICE BASIS	SOYBEAN MEAL	CANOLA MEAL	MILL-FEEDS	MEAT MEAL	FISH MEAL	ANIMAL FAT	GLUTEN MEAL	GLUTEN FEED	DEHY ALFALFA	FEATHER MEAL						
Vancouver	July 10, 2006	FOB	143.00	N/A	137.00	140.00		254.50	152.00	98.00		1025.00	520.00				385.00						
BC (4) (7)	July 03, 2006		143.00	N/A	137.00	140.00		252.00	152.00	98.00		1025.00	520.00				385.00						
Calgary	July 10, 2006	FOB	114.00	N/A	111.00	130.00		249.00			130.00	1050.00	330.00				420.00						
AB (4)	July 03, 2006		114.00	N/A	111.00	130.00		249.00			130.00	1050.00	330.00				420.00						
Saskatoon	July 10, 2006	FOB	111.00	145.00	93.50	125.00		256.00	N/A		140.00	N/A	430.00		122.33		420.00						
SK (4)	July 03, 2006		114.00	140.00	95.00	125.00		253.50	N/A		140.00	N/A	430.00		121.67		420.00						
Winnipeg	July 10, 2006	FOB	146.00	140.00	112.50	122.00		238.50	N/A		260.00	1112.50	515.00				380.00						
MB (4) (9)	July 03, 2006		146.00	140.00	112.50	122.00		236.00	N/A		260.00	1112.50	515.00				380.00						
Thunder Bay	July 10, 2006	In-Store	135.00	N/A	107.50																		
ON (8)	July 03, 2006		138.45	N/A	112.95																		
Lake Ports	July 10, 2006	On Board				111.01																	
USA (3)	July 03, 2006	Vessel				103.22																	
Bay Ports	July 10, 2006	In-Store	162.00	210.00	132.00																		
ON	July 03, 2006		162.00	210.00	132.00																		
Chatham	July 10, 2006	Track				103.62																	
ON	July 03, 2006					96.36																	
Toronto	July 10, 2006	N/A					FOB				171.00		385.00	N/A		275.00	332.00						
ON (5)	July 03, 2006										171.00		385.00	N/A		268.00	330.00						
Hamilton	July 10, 2006	N/A						228.07	N/A														
ON	July 03, 2006							232.25	N/A														
Eastern	July 10, 2006	FOB				112.50																	
ON	July 03, 2006					108.50																	
London	July 10, 2006	FOB												340.00	75.00								
ON	July 03, 2006													340.00	75.00								
Port Colborne	July 10, 2006	FOB												340.00	75.00								
ON	July 03, 2006													340.00	75.00								
Cardinal	July 10, 2006	FOB						56.50						345.00	90.00								
ON	July 03, 2006							48.50						345.00	90.00								
Montreal	July 10, 2006		165.00	160.00	143.00	125.00		234.16	173.80	91.00	175.00	850.00	416.00	N/A	N/A	270.00	360.00						
QC (5)	July 03, 2006		165.00	160.00	143.00	125.00	FOB	245.75	179.28	82.33	175.00	850.00	416.00	N/A	N/A	270.00	360.00						
Trois-Rivières	July 10, 2006	In-Store	175.00		156.90	132.37																	
QC	July 03, 2006		168.90		152.90	130.31																	
St. Jean QC (2)	July 10, 2006	FOB	156.00	136.50	133.98	126.23		246.64															
St. Hyacinthe QC	July 03, 2006		150.48	136.25	134.23	123.22		243.04															
Quebec	July 10, 2006	In-Store	168.00	N/A	164.29	126.24		236.32	172.88														
QC	July 03, 2006		167.97	N/A	165.79	129.58		255.10	205.10														
Truro	July 10, 2006	Track	198.36	N/A	168.40	160.01		275.51	201.36		233.10		532.00				360.00						
NS	July 03, 2006		197.56	N/A	168.40	156.72	FOB	276.04	201.36		233.10		532.00				360.00						
Truro	July 10, 2006	Water	N/A	N/A	N/A	N/A																	
NS	July 03, 2006	& Truck	N/A	N/A	N/A	N/A																	
Halifax	July 10, 2006	In-Store	177.45	N/A	N/A	154.15		293.30	239.45	297.50		N/A											
NS (6)	July 03, 2006		177.95	N/A	N/A	150.70		295.10	238.55	297.50		N/A											

Source: Market Analysis Division, Agriculture and Agri-Food Canada; Thunder Bay prices are based on the Winnipeg Commodity Exchange (WCE) market close
 Closing date July 7/2006
 US\$1.00 = CANS 1.134
 N/A = not available
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Footnotes: All prices in Canadian dollars per metric tonne based on survey respondents.
 Grain grades (unless otherwise specified) are: Western or Eastern Feed Wheat. Feed Oats. No.1 Canada Western or Eastern Barley. No.2 Canada Yellow Corn. No.3 US Yellow Corn.
 Soybean Meal 48 % Protein. Canola Meal based on minimum standard of 35% Protein. Fish Meal: white fish and/or herring meal. Gluten Meal 60% Protein. Gluten Feed 21% Protein.

(1) Wheat 3CWBRS. (2) Canadian Corn #3 or #2. (3) US Corn. (4) Fish Meal from West Coast 63% Protein. (5) Fish Meal 60% Protein. (6) Herring Fish Meal. (7) Fraser Valley. (8) Wheat & Barley (Basis - Cash Price WCE). (9) Oats 3CW

B. CASH PRICES AND REPLACEMENT VALUES

July 10, 2006

PRAIRIE GRAINS

Selected Points	Price Basis		This week July 10, 2006	Last week June 26, 2006	Month ago June 12, 2006	Year Ago July 11, 2005
From: Thunder Bay(WCE) (2)	In-Store	Wheat	132.00	134.00	137.00	109.00
(CBOT)		Oat	195.00	202.00	186.50	169.00
(Lethbridge)		Barley	110.00	114.00	107.00	112.50
To: Bayport, ON (1)	In-store	Wheat	155.61	157.61	160.61	132.61
		Oat	N/A	N/A	N/A	N/A
		Barley	137.39	141.39	134.39	139.89
Montreal, QC (1)	In-store	Wheat	160.03	162.03	165.03	137.03
		Oat	N/A	N/A	N/A	N/A
		Barley	142.31	146.31	139.31	144.81
Moncton, NB	Truck via Halifax	Wheat	182.25	184.25	187.25	159.25
		Oat	N/A	N/A	N/A	N/A
		Barley	166.50	170.50	163.50	169.00
Truro, NS	Truck via Halifax	Wheat	176.22	178.22	181.22	153.22
		Oat	N/A	N/A	N/A	N/A
		Barley	164.00	168.00	161.00	166.50
Halifax, NS (1)	In-store	Wheat	167.28	169.28	172.28	144.28
		Oat	N/A	N/A	N/A	N/A
		Barley	150.30	154.30	147.30	152.80
Stephenville, NL	Track / Truck via Sydney	Wheat	230.63	232.63	235.63	207.63
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A
Melfort, SK		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Bayport, ON		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Montreal, QC		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Moncton, NB		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Truro, NS		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track / Truck via Sydney	Barley	N/A	N/A	N/A	N/A
Stephenville, NL		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A
Selected Points	Price Basis		This week July 10, 2006	Last Week June 26, 2006	Month Ago June 12, 2006	Year Ago July 11, 2005
Corn						
From: US Lake Port	On Board Vessel		110.90	110.18	107.66	112.10
To: Montreal, QC (1)	In-store		129.94	129.22	126.70	131.14
From: Chicago (IL)	Track		110.02	106.23	104.18	110.66
To: Montreal, QC	Track		138.88	135.09	133.04	139.52
From: Chatham, ON	Track		103.52	103.05	105.06	111.99
To: Montreal, QC	Track		127.39	126.92	128.93	135.86

Soymeal 48% Protein

From: Hamilton, ON			228.07	232.25	227.74	233.14
To: Montreal, QC	Track		252.40	256.58	252.07	257.47
Moncton, NB	Track		271.15	275.33	270.82	276.22
Truro, NS	Track		274.37	278.55	274.04	279.44
Stephenville, NL	Track / Truck via Sydney		323.00	327.18	322.67	328.07

- Prices include ONE month of storage and interest charges n/a = not available
- Thunder Bay prices are based on the Winnipeg Commodities Exchange market close (Cash price)

Source: Market Analysis Division, Agriculture and Agri-Food Canada

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Footnotes: All prices quoted in Canadian dollars per metric tonne.

Grain grades (unless otherwise specified) are: Canada Western Feed Wheat, Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn.

Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec.

Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable

A. SELLING PRICE OF BULK FEED INGREDIENTS AT SELECTED POINTS																				
SELECTED POINT	REFERENCE PERIOD	PRICE BASIS	(1)	WHEAT	OATS	BARLEY	CORN	PRICE BASIS	SOYBEAN MEAL	CANOLA MEAL	MILL-FEEDS	MEAT MEAL	FISH MEAL	ANIMAL FAT	GLUTEN MEAL	GLUTEN FEED	FEED PEAS	DEHY ALFALFA	FEATHER MEAL	
Vancouver	June 26, 2006	FOB		143.00	N/A	137.00	140.00		252.00	152.00	98.00		1025.00	520.00						385.00
BC (4) (7)	June 19, 2006			143.00	N/A	137.00	140.00		254.50	152.00	98.00		1025.00	520.00						385.00
Calgary	June 26, 2006	FOB		114.00	N/A	111.00	130.00		246.50			130.00	1050.00	430.00						390.00
AB (4)	June 19, 2006			114.00	N/A	111.00	130.00		252.50				1050.00	430.00						390.00
Saskatoon	June 26, 2006	FOB		113.00	137.00	93.00	125.00		253.50	N/A		140.00	N/A	430.00						420.00
SK (4)	June 19, 2006			104.50	135.00	91.50	125.00		260.50	N/A		135.00	N/A	430.00			121.67			420.00
Winnipeg	June 26, 2006	FOB		146.00	140.00	113.00	119.00		236.00	N/A		260.00	1087.50	515.00			120.67			380.00
MB (4) (9)	June 19, 2006			146.00	140.00	113.00	119.00		243.50	N/A		260.00	1087.50	515.00						380.00
Thunder Bay	June 26, 2006	In-Store		136.00	N/A	107.50														
ON (8)	June 19, 2006			137.00	N/A	107.48														
Lake Ports	June 26, 2006	On Board					103.22													
USA (3)	June 19, 2006	Vessel					115.21													
Bay Ports	June 26, 2006	In-Store		162.50	210.00	132.00														
ON	June 19, 2006			163.50	210.00	132.00														
Chatham	June 26, 2006	Track					96.36													
ON	June 19, 2006						101.25													
Toronto	June 26, 2006	N/A						FOB				200.67		515.00		N/A		268.00		355.00
ON (5)	June 19, 2006											171.00		395.00		N/A		268.00		330.00
Hamilton	June 26, 2006	N/A							230.93	N/A						N/A				
ON	June 19, 2006								235.78	N/A										
Eastern	June 26, 2006	FOB					113.50													
ON	June 19, 2006						102.28													
London	June 26, 2006	FOB																		
ON	June 19, 2006																			
Port Colborne	June 26, 2006	FOB																		
ON	June 19, 2006																			
Cardinal	June 26, 2006	FOB																		
ON	June 19, 2006																			
Montreal	June 26, 2006			165.00	160.00	143.00	125.00		245.41	179.28	78.33	175.00	850.00	416.00	N/A	N/A		270.00		360.00
QC (5)	June 19, 2006			165.00	160.00	143.00	125.00	FOB	248.33	173.33	78.33	175.00	850.00	416.00	N/A	N/A		270.00		360.00
Trois-Rivières	June 26, 2006	In-Store		163.50		141.50	123.32													
QC	June 19, 2006			172.00		144.30	126.17													
St. Jean QC (2)	June 26, 2006	FOB		149.13	135.50	132.63	120.71		241.37											
St. Hyacinthe QC	June 19, 2006			153.50	139.75	133.33	121.13		244.67											
Quebec	June 26, 2006	In-Store		160.83	N/A	160.03	125.05		250.97	205.55										
QC	June 19, 2006			163.67	N/A	161.08	126.00		252.19	205.55										
Truro	June 26, 2006	Track		200.60	0.00	165.10	151.40		280.79	209.08										
NS	June 19, 2006			200.60	0.00	165.10	154.18	FOB	282.47	209.08										
Truro	June 26, 2006	Water		N/A	N/A	N/A	N/A													
NS	June 19, 2006	& Truck		N/A	N/A	N/A	N/A													
Halifax	June 26, 2006	In-Store		181.95	N/A	N/A	156.80		298.30	244.50	297.50		0.00							
NS (6)	June 19, 2006			183.45	N/A	N/A	160.90		301.00	245.75	297.50		0.00							
Source: Market Analysis Division, Agriculture and Agri-Food Canada; Thunder Bay prices are based on the Winnipeg Commodity Exchange (WCE) market close																				
Contact: André Dombé Statistical Clerk. Telephone: (204) 983-0581 Fax: (204) 983-5524 Email: dombes@agr.gc.ca																				
N/A = not available																				
US\$1.00 = CANS 1.1241																				
Closing date June 23/2006																				
Footnotes: All prices in Canadian dollars per metric tonne based on survey respondents.																				
Grain grades (unless otherwise specified) are: Western or Eastern Feed Wheat. Feed Oats. No.1 Canada Western or Eastern Barley. No.2 Canada Yellow Corn. No.3 US Yellow Corn.																				
Soybean Meal 48% Protein. Canola Meal based on minimum standard of 35% Protein. Fish Meal: white fish and/or herring meal. Gluten Meal 60% Protein. Gluten Feed 21% Protein.																				
(1) Wheat 3CWRS (2) Canadian Corn #3 or #2 (3) US Corn (4) Fish Meal from West Coast 63% Protein (5) Fish Meal 60% Protein (6) Herring Fish Meal (7) Fraser Valley (8) Wheat & Barley (Basis - Cash Price Wt) (9) Oats 3CW																				

Source: Market Analysis Division, Agriculture and Agri-Food Canada; Thunder Bay prices are based on the Winnipeg Commodity Exchange (WCE) market close
 Contact: André Dombé Statistical Clerk Telephone: (204) 983-0581 Fax: (204) 983-5524 Email: dombear@agr.gc.ca
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 Closing date June 23/2006

N/A = not available

Footnotes: All prices in Canadian dollars per metric tonne based on survey respondents.

Grain grades (unless otherwise specified) are: Western or Eastern Feed Wheat, Feed Oats, No.1 Canada Western or Eastern Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn.

Soybean Meal 48 % Protein, Canola Meal based on minimum standard of 35% Protein, Fish Meal: white fish and/or herring meal, Gluten Meal 60% Protein, Gluten Feed 21% Protein.

(1) Wheat 3CWRS (2) Canadian Corn #3 or #2 (3) US Corn (4) Fish Meal from West Coast 63% Protein (5) Fish Meal 60% Protein (6) Herring Fish Meal (7) Fraser Valley (8) Wheat & Barley (Basis - Cash Price WCE) (9) Oats 3CW

B. CASH PRICES AND REPLACEMENT VALUES

June 26, 2006

PRAIRIE GRAINS

Selected Points	Price Basis		This week June 26, 2006	Last week June 12, 2006	Month ago May 29, 2006	Year Ago June 27, 2005
From: Thunder Bay(WCE) (2)	In-Store	Wheat	134.00	137.00	136.00	109.00
(CBOT)		Oat	202.00	186.50	180.20	155.25
(Lethbridge)		Barley	114.00	107.00	107.00	115.00
To: Bayport, ON (1)	In-store	Wheat	157.61	160.61	159.61	132.61
		Oat	N/A	N/A	N/A	N/A
		Barley	141.39	134.39	134.39	142.39
Montreal, QC (1)	In-store	Wheat	162.03	165.03	164.03	137.03
		Oat	N/A	N/A	N/A	N/A
		Barley	146.31	139.31	139.31	147.31
Moncton, NB	Truck via Halifax	Wheat	184.25	187.25	186.25	159.25
		Oat	N/A	N/A	N/A	N/A
		Barley	170.50	163.50	163.50	171.50
Truro, NS	Truck via Halifax	Wheat	178.22	181.22	180.22	153.22
		Oat	N/A	N/A	N/A	N/A
		Barley	168.00	161.00	161.00	169.00
Halifax, NS (1)	In-store	Wheat	169.28	172.28	171.28	144.28
		Oat	N/A	N/A	N/A	N/A
		Barley	154.30	147.30	147.30	155.30
Stephenville, NL	Track / Truck via Sydney	Wheat	232.63	235.63	234.63	207.63
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A
Melfort, SK		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Bayport, ON		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Montreal, QC		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Moncton, NB		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Truro, NS		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track / Truck via Sydney	Barley	N/A	N/A	N/A	N/A
Stephenville, NL		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A
Selected Points	Price Basis		This week June 26, 2006	Last Week June 12, 2006	Month Ago May 29, 2006	Year Ago June 27, 2005
Corn						
From: US Lake Port	On Board Vessel		103.22	107.66	112.03	113.06
To: Montreal, QC (1)	In-store		122.26	126.70	131.07	132.10
From: Chicago (IL)	Track		105.43	104.18	110.72	114.88
To: Montreal, QC	Track		134.29	133.04	139.58	143.74
From: Chatham, ON	Track		96.36	105.06	115.60	114.92
To: Montreal, QC	Track		120.23	128.93	139.47	138.79

Soymeal 48% Protein

From: Hamilton, ON			230.93	227.74	232.92	255.81
To: Montreal, QC	Track		255.26	252.07	257.25	280.14
Moncton, NB	Track		274.01	270.82	276.00	298.89
Truro, NS	Track		277.23	274.04	279.22	302.11
Stephenville, NL	Track / Truck via Sydney		325.86	322.67	327.85	350.74

- Prices include ONE month of storage and interest charges n/a = not available
- Thunder Bay prices are based on the Winnipeg Commodities Exchange market close (Cash price)

Source: Market Analysis Division, Agriculture and Agri-Food Canada

Contact: André Doubé: Statistical Clerk (204) 983-0581 Fax: (204) 983-5524 e-mail: doumbea@agr.gc.ca

Footnotes: All prices quoted in Canadian dollars per metric tonne.

Grain grades (unless otherwise specified) are: Canada Western Feed Wheat, Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn.

Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec.

Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable



Agriculture and
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Agriculture et
Agroalimentaire Canada



Bi-weekly Bulletin

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ARGENTINA

Argentina continues to be a major competitor in the world market for soybeans, corn, wheat, and beef. Most recently, Argentina has focused its efforts on increasing its share of the world soybean market, both for soybeans and for products derived from soybeans. These increases in soybean production have raised concerns from critics who feel that, in the longer term, this may be detrimental to Argentina's economic and social well-being. This issue of the *Bi-weekly Bulletin* examines the situation and outlook for Argentina's grains and oilseeds sector, and the possible implications for Canada's grains and oilseeds sectors.

Background

Argentina is the second largest country in South America in terms of its land base, and third largest with respect to its population of 39 million (M) people. In 2005, Argentina's gross domestic product was US\$176 billion (G), of which agriculture accounted for over 11% of that figure. Argentina's main source of foreign exchange is processed agricultural goods, which account for 25% of its total exports.

For the past few years, Argentina's economy has been recovering from an economic crisis that included a devaluation of its currency, unemployment, inflation, a large public debt load, and general political instability. The recovery can be attributed in part to import substitution and strong agricultural exports.

Argentina's economy has grown at a rate of approximately 9% over past three years and would appear to be positioned for another year of strong economic growth in 2006. Argentina's economic recovery has come partly as a result of strong international commodity prices, as well as the government's ability to maintain a fiscal surplus.

Biofuels in Argentina

Argentina has passed legislation mandating that all gasoline contain at least 5% ethanol and that all diesel fuel contain at least 5% biodiesel by 2010. This essentially gives the fuel industry four years to comply with the new legislation. The Argentine government is providing tax incentives to firms involved in the production and distribution of biofuels. Government will determine which projects qualify for tax exemption and it will set quotas each year for the distribution of tax benefits, aimed primarily at farmers and

small to medium companies involved in biofuel initiatives.

Companies in the oil industry and large soybean producers have complained that the new law does not provide for subsidies. Nevertheless, Repsol YPF, which is headquartered in Spain and one of the largest oil companies in the world, is investing in a biodiesel plant in Rosario, Sante Fe Province, Argentina. The company has operations in more than 30 countries and plans to be the first major biodiesel producer in Argentina. The plant, which is expected to be operational by late 2007, is designed to produce about 31.7 million gallons of biodiesel annually. This biodiesel will initially be used to create a B5 (5%) blend, with a B10 blend planned for the future. Biodiesel is not taxed in Argentina, unlike fuels derived from petroleum, and this provides an economic incentive for setting up a biodiesel production facility in Argentina.

Argentina's Soybean Monoculture

Argentina's legislation regarding biofuels has raised concerns about the expansion of the so-called soybean monoculture in Argentina. Argentina's soybean crop is primarily transgenic and critics argue that this threatens biodiversity, and that the soybean monoculture hurts family farms and the rural social fabric. In the past ten years, rapidly expanding soybean production is believed to have caused an exodus of rural workers and resulted in a concentration of land ownership. Critics further argue that increased soybean production has disturbed established land rotation systems and that it has had an undesirable effect on the health of the soil.

As Argentina's farmers increase the amount of land they plant to soybeans, area planted to other field crops diminishes and livestock production shifts to less productive land in the southern and western regions of Argentina. This has raised further concerns about the negative effects of the soybean boom on local economies. Specifically, as soybean production in some areas of Argentina has increased, poverty rates in those areas have increased accordingly. This appears to be particularly true in areas that require 1,000 to 2,000 hectares of land for a farm to be viable and profitable because farms of this size tend to be highly mechanized and therefore they require minimal labour.

Argentina's Soybean Crushing Industry

Argentina crushes about 70% of its annual soybean production. The products of the crushing industry, soyoil and soymeal, are mostly destined for export markets. Currently, about 90% of Argentina's annual soyoil production and 97% of the annual soymeal production is exported.

Government policies during the 1990s, including the privatization and deregulation of railroads and ports, have encouraged companies to make huge investments in Argentine processing and port facilities. Argentina export retention taxes, which were imposed on most of its agricultural goods as a means of generating tax revenue, as well as ensuring maintenance of domestic supply, have also had an effect. In the wake of the 2001 economic crisis, soybean exports have been taxed at 23.5% while soyoil and soymeal have been taxed at 20%. Combined with strong demand from China and a devalued Argentine peso, soybean crushing in Argentina has increased by 45%

during the period between 2001-2002 and 2005-2006.

The bulk of crushing is concentrated in the provinces of Buenos Aires, Santa Fe, Entre Rios, Misiones, and Cordova. However, Rosario, which is the third largest city in Argentina, has the highest concentration of soybean crushing plants in the world. These plants are among the most efficient in the world and, despite occasionally tight soybean supplies, operate at 85 to 90% capacity. With more plants under construction, Argentina will soon be able to crush about 160,000 tonnes per day (t/d). Louis Dreyfus alone is expected to crush 30,000 t/d once their new plant is fully operational. By comparison, Canada's total oilseed crushing capacity is 17,650 t/d.

A possible constraint to further expansion of Argentina's crushing industry would be the availability of soybean supplies. The soybean crushing industry has expanded faster than domestic soybean production. Therefore, until primary production catches up, Argentina's crushers will have to rely on soybeans from non-domestic sources, such as Paraguay.

Argentina's Livestock Sector

Argentina is the fifth largest producer and third largest exporter of beef in the world; it has about 300 million acres of pasture land and about 55 million heads of cattle. Argentina's per capita consumption of beef, estimated at 140 pounds annually, makes it the largest per capita consumer of beef in the world, and nearly double that of the United States (U.S.). Livestock production and slaughter are therefore major activities in Argentina, as are refrigeration and processing of meat products. About 15% of the beef produced in Argentina, which averages 3.0 million tonnes (Mt) annually, has traditionally been exported.

In March 2006, Argentina suspended most beef exports. While the majority of its beef exports were affected, high end beef exports sent to Europe as a part of the Hilton beef quota and to countries with which Argentina has bilateral agreements were exempted. These measures have been undertaken as part of wider price control efforts to curb the inflation rate, which reached 12.3% in 2005. Beef producers were targeted, as beef represents a large portion of the domestic diet and has been viewed as a key factor in the rising inflation rate.

In May 2006, the Argentine Government published a resolution that will permit the partial lifting of the suspension on beef exports, as beef prices had dropped in the wholesale market after the export suspension took effect. In addition, towards

the end of July, the government announced that it intends to put into place a program to support ranchers with their efforts to increase beef supply, so as to ensure steady domestic supply. The program has not been clearly defined as yet.

Canada/Argentina Agri-Food Trade

In the Argentine market, Canada has been competing directly with Argentina's domestic suppliers who benefit from lower transport costs, import tariffs, and exchange rates that discourage imports. As a result, domestic supplies account for up to 90% of the food products consumed in Argentina. As well, most of the international competition Canada faces comes from the Mercosur group of countries which includes Brazil, Paraguay, Uruguay, Argentina, Venezuela, and associate members Chile, Bolivia and Peru. Mercosur accounts for about 60% of Argentina's imports.

In 2005, bilateral trade between Canada and Argentina in agri-food products totalled CAN\$157M, up from CAN\$131M in 2002, which was the peak of Argentina's economic crisis. However, the trade imbalance between these two trading partners continues to heavily favour Argentina. In 2005, Canada's imports of agri-food products from Argentina totalled CAN\$149.5M, while Canada's exports of agri-food products to Argentina were CAN\$7.4M.

According to 2005 trade data compiled by Statistics Canada, the main categories and value (in Canadian dollars) of Canada's agri-food imports from Argentina are: *fruit and nuts*, \$35.9M; *beverages, spirits and vinegar*, \$28.1M; *dairy products, eggs and honey*, \$19.4M; *preparations of vegetables, fruit and nuts*, \$13.5M; and *oilseeds, seeds for sowing, fodder*, \$10.4M.

Conversely, for 2005, the main categories and value of Canada's exports of agri-food products to Argentina are: *edible vegetables and certain roots and tubers*, \$3.5M; *miscellaneous edible preparations*, \$1.3M; *food industry residues and waste, prepared fodder*, \$1.2M; *oilseeds, seeds for sowing, fodder*, \$0.9M; and *products of animal origin*, \$0.9M.

SITUATION 2005-2006

Argentina's major field crops are soybeans, corn, wheat, sorghum, barley and oats, and about 10% of that production is for feed use. By comparison, Canada uses about 40% of its total grains and oilseeds production for animal feed. Argentina's feed use is relatively low because most of its livestock production is located in areas where domesticated animals can graze naturally

rather than being housed in feedlots. This non-reliance on gathered animal feed creates an excess supply of animal feed.

As a result, about 40% of Argentina's total field crop production is exported. However, if one were to add in exports of soyoil and soymeal, Argentina's agri-food exports would then represent about 75% of its total field crop production.

For 2005-2006, **area seeded** to Argentina's major field crops is estimated at 23.1 million hectares (Mha), down from the record 24.4 Mha in 2004-2005, and **production** for 2005-2006 is estimated at 70.3 Mt, down from the record 79.8 Mt in 2004-2005.

Exports for 2005-2006 are estimated at 26.5 Mt, down from the record 36.4 Mt exported in 2004-2005.

Soybeans and corn generally account for 54% and 23%, respectively, of Argentina's total field crop production. Virtually all soybeans and about one-third of corn produced in Argentina are genetically modified, but Argentina is also known for its production of organic vegetables and beef. About 90% of that organic production is destined for export markets, primarily in the EU.

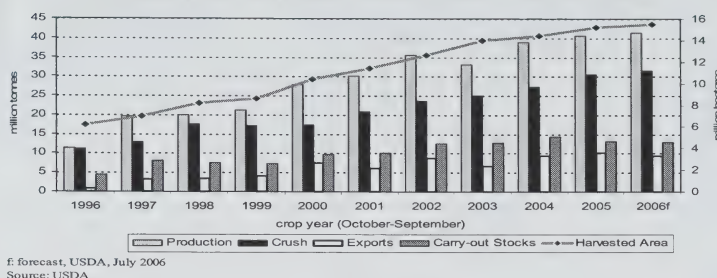
Soybeans

Argentina is the third largest producer of soybeans in the world, accounting for about 18% of the total world production, which is estimated at 220 Mt for 2005-2006. Argentina has tripled soybean production during the past 10 years as area seeded to soybeans increased from 6.2 Mha, to 15.0 Mha, and yields increased by about 50% during this period.

Logistics have contributed a great deal to increased soybean production in Argentina. About 80% of Argentina's soybean production is located within a 200 mile radius of its ports and crushing facilities. Furthermore, record world crude oil prices have not translated into higher farm fuel costs, unlike Brazil where fuel costs have skyrocketed. In Argentina energy prices have been frozen at devalued rates since 2001-2002.

For 2005-2006, Argentina's soybean **production** is estimated at a record 40.5 Mt, up from the previous record of 39.0 Mt in 2004-2005. With record available supplies of soybeans in 2005-2005, Argentina's **exports** are estimated at a record 10.1 Mt, up from 9.3 Mt in 2004-2005. The major exports markets are China, Thailand, Turkey and Indonesia. Soybean crush is estimated at a record 30.4 Mt, up from the previous record of 27.3 Mt in 2004-2005. For 2005-

ARGENTINA: SOYBEAN SUPPLY AND DISPOSITION



2006, **carry-out stocks** are estimated at 15.3 Mt, down from 16.2 Mt in 2004-2005.

Soyoil

For 2005-2006, Argentina's **production** of soyoil is estimated at 5.7 Mt, up from the previous record of 5.1 Mt in 2004-2005. For 2005-2006, **exports** of soyoil are estimated at a record 5.4 Mt, up from 4.8 Mt in 2004-2005. The major export markets are China, India, and Bangladesh. Domestic **consumption** of soyoil for 2005-2006 is estimated at 0.4 Mt, virtually unchanged from 2004-2005.

Soymeal

For 2005-2006, Argentina's **production** of soymeal is estimated at 23.7 Mt, up from the previous record of 21.5 Mt in 2004-2005. For 2005-2006, **exports** of soymeal are estimated at a record 23.1 Mt, up from 20.5 Mt in 2004-2005. The major markets are Spain, Denmark, Philippines, Malaysia and Vietnam. Domestic **consumption** of soymeal for 2005-2006 is estimated at 0.6 Mt, up from 0.5 Mt in 2004-2005.

Wheat

Most of Argentina's wheat is produced on its flat fertile plains called the *pampas*, which are further separated into the northern wheat belt and the southern wheat belt. The growing season in the *northern belt* allows for wheat to be double cropped with corn and soybeans. In the *southern belt*, wheat is generally seen as the only cropping choice.

In the past decade, wheat **area** has fluctuated from a high of 17.1 Mha in 1996-1997 to a low of 4.9 Mha in 2005-2006. Wheat **yields** during this period have also fluctuated considerably, from a high of 2.8 tonnes per

hectare (t/ha) in 1997-1998, to a low of 2.1 t/ha in 2002-2003.

For 2005-2006, Argentina's wheat **production** is estimated at 12.5 Mt, down from 16.0 Mt in 2004-2005. The decrease is due to a 20% reduction in harvested area as a result of a drought in 2005. The combination of lower production and relatively low carry-in stocks resulted in the lowest available supply of wheat in Argentina in over ten years. As a result, **exports** (July-June) for 2005-2006 are estimated at 7.5 Mt, down from 13.5 Mt in 2004-2005. The major markets for Argentine wheat exports are Brazil, Peru, Chile, and South Africa.

For the first time in years, Argentina is not one of the five largest exporters of wheat in the world. Russia temporarily held that position when its wheat exports surged to a record 10.5 Mt in 2005-2006. Despite its

tight wheat supplies for 2005-2006, on May 18, 2005, Argentine wheat exporters agreed to self-regulate or limit their sales overseas. This notice came after rumours that the Argentine government was considering possible export restrictions on wheat similar to those already on beef exports. Government concerns grew from observations on the growing external demand for wheat and rising international wheat prices. As a result of this decision, Argentine wheat customers have shown concern, particularly Argentina's most important customer Brazil. Brazil buys around 90% of its wheat from Argentina.

Export taxes on wheat remain at 20%, and the taxes are based on an official f.o.b. price which is set daily by the Agriculture Secretariat. Argentina's wheat **carry-out stocks** for 2005-2006 are estimated at 0.5 Mt, down from 0.6 Mt in 2004-2005.

Corn

Argentina is the world's second largest exporter of corn. In 2004-2005, Argentine farmers seeded a record 2.8 Mha to corn and harvested a bumper crop, resulting in unprecedented production of 20.5 Mt. In 2004-2005, Argentine exports of corn were a record 14.6 Mt.

In 2005-2006, corn **production** is estimated at 14.0 Mt, down considerably from the previous year's record crop as farmers shifted seeded area out of corn and into soybean production. **Exports** are estimated at 8.5 Mt, the lowest level since 1999-2000. **Carry-out stocks** are estimated at 0.9 Mt, down slightly from the record 1.0 Mt in 2004-2005.

OUTLOOK 2006-2007

For 2006-2007, **area seeded** to Argentina's major field crops is forecast at a record 25.1 Mha, surpassing the previous record of 24.4 Mha in 2004-2005. However, with a return to normal yields expected for 2006-2007, **production** of the major field crops is forecast at 77.1 Mt, down slightly from the record of 79.8 Mt in 2004-2005, but up from 70.3 Mt in 2005-2006. For 2006-2007, **exports** of Argentina's major field crops are forecast at 30.7 Mt, down from the record of 36.6 Mt in 2004-2005, but up from 26.5 Mt in 2005-2006.

ARGENTINA: SOYOIL SUPPLY AND DISPOSITION

crop year October-September	2001 -2002	2002 -2003	2003 -2004	2004 -2005	2005 -2006	2006 -2007f
.....,thousand tonnes.....						
Carry-in Stocks	201	312	713	862	791	698
Production	3,876	4,404	4,626	5,088	5,740	5,950
Total Supply	4,077	4,716	5,339	5,950	6,531	6,648
Exports	3,438	3,636	4,085	4,753	5,400	5,600
Domestic Consumption	327	367	392	406	433	460
Total Use	3,765	4,003	4,477	5,159	5,833	6,060
Carry-out Stocks	312	713	862	791	698	588

ARGENTINA: SOYMEAL SUPPLY AND DISPOSITION

crop year October-September	2001 -2002	2002 -2003	2003 -2004	2004 -2005	2005 -2006	2006 -2007f
.....,thousand tonnes.....						
Carry-in Stocks	907	1,140	973	1,431	1,970	1,940
Production	16,559	18,416	19,685	21,531	23,680	24,340
Total Supply	17,466	19,556	20,658	22,962	25,650	26,280
Exports	15,936	18,122	18,743	20,497	23,100	23,640
Domestic Consumption	390	461	484	495	610	750
Total Use	16,326	18,583	19,227	20,992	23,710	24,390
Carry-out Stocks	1,140	973	1,431	1,970	1,940	1,890

f: forecast, USDA, July 2006
Source: USDA

Argentina's agricultural sector is heavily dependent on exports. With 60% of its production going to export markets, the agricultural sector is sensitive to any appreciation in the Argentine peso, which is possible given the current surplus on the external accounts. However, the Banco Central de la República Argentina (BCRA, the Central Bank) is expected to maintain its policy of intervening to maintain the export competitiveness of the exchange rate, provided that this can be done without stoking inflationary pressure. The BCRA has kept the Argentine peso steady at around three pesos to the US dollar for approximately the past two years.

Soybeans

For 2006-2007, soybean **production** is forecast at a record 41.3 Mt, up from the previous record of 40.5 Mt in 2005-2006. The increase in production is due primarily to record high seeded area, which is forecast at 15.4 Mha for 2006-2007. **Exports** are forecast at 9.3 Mt, down from the record 10.1 Mt in 2005-2006, as Argentina continues to expand oilseed crushing capacity. With new and expanded crushing facilities coming on-line in 2006-2007, Argentina is forecast to **crush** a record 31.5 Mt of soybeans, up from the previous record 30.4 Mt in 2005-2006. For 2006-2007, **carry-out stocks** are forecast at a record 15.1 Mt.

Soyoil

For 2006-2007, soyoil production is forecast at a record 6.0 Mt, up from the previous record of 5.7 Mt in 2005-2006. Early indications are that about 96% of Argentina's soyoil production will be **exported** in 2006-2007, which would be a record 5.6 Mt. This is up from the previous record of 5.4 Mt estimated for 2005-2006.

Soymeal

For 2006-2007, soymeal **production** is forecast at a record 24.3 Mt, up from the previous record of 23.7 Mt in 2005-2006.

Nearly all of Argentina's soymeal production is expected to be **exported** in 2006-2007, which would be a record 23.6 Mt, exceeding the previous record of 23.1 Mt set in 2005-2006.

Wheat

For 2006-2007, wheat **production** is forecast at 14.3 Mt, up significantly from 12.5 Mt in 2005-2006.

With increased available supplies of wheat for 2006-2007, Argentina is expected to reclaim its position as one of the five largest exporters of wheat, a position it relinquished temporarily to Russia in 2005-2006. For 2006-2007, **exports** (July-June) of wheat are forecast at 9.5 Mt, up significantly from 7.5 Mt in 2005-2006. **Carry-out stocks** for 2006-2007 are forecast at 0.3 Mt, down from 0.5 Mt in 2005-2006.

Corn

For 2006-2007, corn **production** is forecast at 17.5 Mt, up from 14.0 Mt in 2005-2006. The increase is due to increased seeded area and improved yield prospects for 2006-2007. With a 20% increase in available supplies for 2006-2007, **exports** are expected to increase to 11.5 Mt, up from 8.5 Mt in 2005-2006. **Carry-out stocks** are forecast at 0.8 Mt, down from 0.9 Mt in 2005-2006.

Implications for Canada

Argentina is expected to be a major player in the world wheat market, as it has in recent years. While Argentina does not compete directly with Canada in premium wheat markets, it competes directly with US winter wheat; influencing the benchmark wheat prices in the US Chicago Board of Trade and Kansas City Board of Trade futures markets. World prices for oilseeds and the products derived from oilseeds will continue to be pressured by burgeoning soybean production in Argentina and Brazil. The excess supply in the world oilseed market is expected to

translate into lower prices for Canadian producers of canola and soybeans. Furthermore, steadily increasing world demand for vegoils is expected to result in excess supplies of protein meal, driving down the price of protein meal and other sources of animal feed.

Many Canadian companies have seen Argentina as a worthwhile location in which to invest and base their operations for the region as a whole. Companies such as McCains, Saputo and Clearwater have set up operations in Argentina and are currently exporting agri-food products throughout the continent and abroad. As well, wage increases in Argentina continue to exceed inflation, so domestic consumption is expected to remain strong along with export demand for products from foreign sources. This situation bodes well for exporters looking to expand their customer base with sales to Argentine customers.

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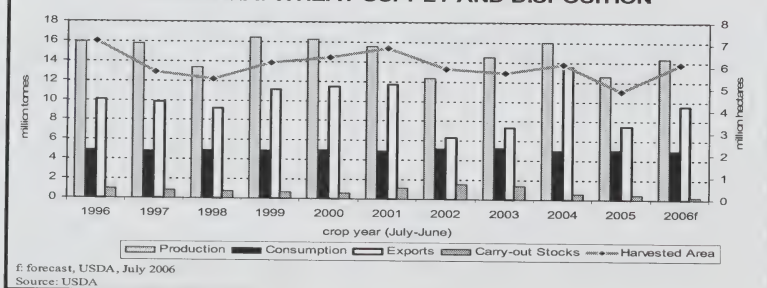
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ARGENTINA: WHEAT SUPPLY AND DISPOSITION



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Canadian Embassy in Argentina, Canadian Wheat Board, Market and Industry Services Branch (AAFC)



CANADA: GRAINS AND OILSEEDS OUTLOOK

August 4, 2006

AAFC forecasts that total production of grains and oilseeds in Canada will decline by 8% from 2005-06, to 61 million tonnes (Mt), slightly above the 10-year average. While crops got off to a good start in the spring because of the early seeding and good soil moisture, the weather subsequently turned hot and dry across most of the Prairies. Crop development is generally ahead of normal. Yields are expected to be at trend to slightly below trend in western Canada. Quality of all crops is expected to be above average, with a better than normal grade distribution. Protein levels in wheat and barley are expected to be higher than average, while canola and flaxseed oil content may be below normal. In eastern Canada, the weather has been hot but moisture has generally been adequate, and yield prospects are good.

In western Canada, production is forecast to decline by 10%, to 46 Mt, with eastern Canadian production down by 3%, at 15 Mt. Domestic use is expected to increase in 2006-07 due to increased ethanol production. Exports are also expected to increase by 10%, due mainly to higher exports of non-durum wheat. Prices for all crops are expected to be similar to or higher than in 2005-06, except for flaxseed. Prices will continue to be pressured by the strong Canadian dollar. The major factors to watch are: US and Canadian crop development and harvest conditions, the bio-fuel market, ocean freight rates and the Canada/US exchange rate.

DURUM

Production is forecast to fall by over 40% due to lower area and yields. This is partly offset by the record 3.3 Mt carry-in stocks, but supply is expected to decline by 19%. Exports are forecast to decrease by 10% due to lower demand from North Africa and the EU, which will be partly offset by increased imports from the US. Carry-out stocks are forecast to fall by 36%, but remain slightly above the 10-year average. The Canadian Wheat Board (CWB) Pool Return Outlook (PRO) is rising due to the declining production prospects for North America, and is now slightly higher than for 2005-06. The discount of No.1 CWAD 11.5 to No.1 CWSR 11.5 is projected at a record \$18/t.

WHEAT (excluding durum)

For 2006-07, production is forecast to increase by 4%, with the 17% larger harvested area largely offset by lower expected yields. Supply is expected to rise by 7%, however, due to higher carry-in stocks. Exports are forecast to increase by 30% due to record Ontario production of 2.4 Mt, increased supplies of good quality wheat in western Canada and reduced competition from other exporters. Domestic use is expected to decline, with reduced feed use partly offset by sharply higher industrial use for ethanol production. Carry-out stocks are expected to decline by 20%. The CWB PRO is now \$10 to \$25/t above 2005-06 for all milling grades. The increases are smallest for No.1 CWSR, as quality and protein premiums are forecast to decrease due to the expected better quality of the 2006 Canadian and US hard red spring wheat crops.

BARLEY

Production is forecast to decrease by 15%, due to lower area and yields. Supply is expected to fall by 13%. Exports are forecast to decrease by 8%, as lower feed barley exports are only partially offset by higher exports of malting barley. Despite lower exports and domestic feed use, carry-out stocks are forecast to fall significantly. The average off-Board feed

barley price (No.1 CW, in-store Lethbridge) is forecast to increase by \$20/t from 2005-06. The CWB PRO for No. 1 CW feed barley for Pool A in 2006-07 is \$124/t, vs. \$125/t for Pool A in 2005-06. The CWB PRO for SS2R malting barley is \$174/t vs. \$171/t for 2005-06, due to lower expected exportable supply in Australia and strong import demand from the US.

CORN

Production is forecast to decrease by 8%, due to lower yields. Imports are forecast to increase significantly from 2005-06, as a result of lower domestic supply, and strong demand for animal feed and ethanol. Carry-out stocks are forecast to drop by 22%. The average price at Chatham elevator is forecast to increase by \$25/t due to higher US corn prices.

OATS

Production is forecast to increase by 12%, due to larger area and a return to normal abandonment rates. Supply is expected to increase, as higher production more than offsets lower carry-in stocks. Exports are forecast to rise marginally from 2005-06, as a result of strong US import demand. Although feed use is expected to rise significantly, carry-out stocks are projected to rise by 11%. Chicago Board of Trade oat nearby futures prices are forecast to remain unchanged from 2005-06, narrowing the US price premium for oats over corn.

CANOLA

Production is forecast to decrease by 16% to 8.1 Mt, as yields are pressured by hot and dry weather. Supply is expected to decrease by 9%, but remain historically high, due to burdensome carry-in stocks. Exports are forecast to decline slightly from the record setting pace of 2005-06 as a result of tighter supplies. Domestic crush is forecast to rise slightly following the expansion of some processing plants, although the recently announced new plants are not expected to open until 2007-08. Carry-out stocks are forecast to fall, but will remain significantly above the 10

year average. Prices are expected to rise from the low of 2005-06, but remain under pressure from low US soybean prices and strong Canadian dollar.

FLAXSEED (excluding solin)

Production is forecast to decrease by 7%, due to lower yields. Supply is expected to rise sharply because of burdensome carry-in stocks resulting from high production in 2005-06 and low EU imports. Although exports and total domestic use are forecast to rise, carry-out stocks are expected to increase to a burdensome 0.73 Mt vs. the 10-year average of 0.2 Mt. As a result, prices are forecast to decline.

SOYBEANS

Production is forecast to decrease by 6%, as lower yields more than offset the rise in area. Supply is forecast to decrease, as reduced output more than offsets the projected rise in imports and carry-in stocks. Exports are forecast to increase to a record high, while domestic crush increases slightly from 2005-06. Although carry-out stocks are forecast to fall, prices are expected to be pressured by lower US soybean prices.

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CANADA: GRAINS AND OILSEEDS SUPPLY AND DISPOSITION

August 4, 2006

Grain and Crop Year (a)	Area Seeded thousand ha	Area Harvested thousand ha	Yield t/ha	Production	Imports (b)	Total Supply	Exports (c)	Food & Industrial Use (e)	Feed, Waste & Dockage	Total Domestic Use (d)	Carry-out Stocks	Average Price (f) \$/t
thousand metric tonnes												
Durum												
2004-2005	2,230	2,141	2.32	4,962	1	6,752	3,218	254	536	1,013	2,521	201
2005-2006P	2,341	2,297	2.58	5,915	1	8,436	4,100	255	621	1,036	3,300	181*
2006-2007F	1,725	1,720	2.03	3,500	1	6,801	3,700	260	511	1,001	2,100	183*
Wheat Except Durum												
2004-2005	8,169	7,722	2.71	20,898	13	25,203	11,593	2,845	4,521	8,138	5,471	190
2005-2006P	7,753	7,530	2.77	20,860	20	26,352	11,500	2,870	4,585	8,352	6,500	183*
2006-2007F	9,025	8,800	2.45	21,600	14	28,114	15,000	3,100	3,950	7,914	5,200	201*
All Wheat												
2004-2005	10,399	9,862	2.62	25,860	14	31,955	14,812	3,099	5,056	9,151	7,992	
2005-2006P	10,094	9,826	2.72	26,775	21	34,788	15,600	3,125	5,206	9,388	9,800	
2006-2007F	10,750	10,520	2.39	25,100	15	34,915	18,700	3,360	4,461	8,915	7,300	
Barley												
2004-2005	4,678	4,050	3.26	13,186	83	15,371	1,863	268	9,358	10,019	3,489	112
2005-2006P	4,440	3,889	3.21	12,481	50	16,020	2,500	260	9,555	10,220	3,300	110
2006-2007F	4,090	3,510	3.03	10,630	30	13,960	2,300	270	9,185	9,860	1,800	120-140
Corn												
2004-2005	1,185	1,072	8.24	8,837	2,422	12,401	242	2,395	7,951	10,358	1,802	100
2005-2006P	1,124	1,096	8.63	9,461	1,600	12,862	300	2,500	8,247	10,762	1,800	90-100
2006-2007F	1,135	1,105	7.91	8,740	3,200	13,740	200	3,300	8,825	12,140	1,400	110-130
Oats												
2004-2005	1,995	1,315	2.80	3,683	26	4,497	1,675	118	1,560	1,834	988	131
2005-2006P	1,853	1,326	2.59	3,432	17	4,437	1,700	140	1,527	1,837	900	144
2006-2007F	2,205	1,555	2.47	3,845	10	4,755	1,750	140	1,690	2,005	1,000	135-155
Rye												
2004-2005	284	165	2.53	418	1	487	122	48	155	220	145	68
2005-2006P	226	148	2.42	359	1	505	123	48	157	222	160	81
2006-2007F	205	134	2.31	310	1	471	110	48	156	221	140	80-100
Mixed Grains												
2004-2005	220	111	2.87	318	0	318	0	0	318	318	0	
2005-2006P	209	109	2.78	303	0	303	0	0	303	303	0	
2006-2007F	230	121	2.81	340	0	340	0	0	340	340	0	
Total Coarse Grains												
2004-2005	8,362	6,713	3.94	26,442	2,531	33,074	3,902	2,828	19,342	22,749	6,424	
2005-2006P	7,852	6,568	3.96	26,036	1,668	34,128	4,623	2,948	19,790	23,345	6,160	
2006-2007F	7,865	6,425	3.71	23,865	3,241	33,266	4,360	3,758	20,196	24,566	4,340	
Canola												
2004-2005	5,319	4,938	1.57	7,728	108	8,444	3,412	3,031	328	3,403	1,629	309
2005-2006P	5,491	5,283	1.83	9,660	125	11,415	5,350	3,400	470	3,915	2,150	278
2006-2007F	5,420	5,156	1.58	8,125	150	10,425	5,000	3,450	480	3,975	1,450	295-325
Flaxseed												
2004-2005	728	528	0.98	517	39	648	468	n/a	n/a	151	30	n/a
2005-2006P	842	803	1.35	1,082	40	1,152	450	n/a	n/a	227	475	276
2006-2007F	858	800	1.26	1,010	20	1,505	550	n/a	n/a	230	725	225-265
Soybeans												
2004-2005	1,229	1,178	2.59	3,048	393	3,581	1,122	1,610	457	2,190	270	248
2005-2006P	1,176	1,169	2.70	3,161	300	3,731	1,250	1,600	461	2,181	300	215-225
2006-2007F	1,210	1,197	2.48	2,970	350	3,620	1,350	1,650	270	2,020	250	200-240
Total Oilseeds												
2004-2005	7,277	6,643	1.70	11,293	540	12,674	5,002	4,641	927	5,743	1,929	
2005-2006P	7,510	7,255	1.92	13,904	465	16,298	7,050	5,000	931	6,323	2,925	
2006-2007F	7,487	7,154	1.69	12,105	520	15,550	6,900	5,100	750	6,225	2,425	
Total Grains And Oilseeds												
2004-2005	26,038	23,219	2.74	63,596	3,085	77,703	23,715	10,568	25,325	37,643	16,345	
2005-2006P	25,456	23,650	2.82	66,715	2,154	85,214	27,273	11,073	25,927	39,055	18,885	
2006-2007F	26,103	24,099	2.53	61,070	3,776	83,731	29,960	12,218	25,407	39,706	14,065	

(a) Crop year is August-July except corn and soybeans which are September-August.

(b) Excludes imports of products. (c) Includes exports of products for wheat, oats, barley, and rye. Excludes exports of oilseed products.

(d) Total Domestic Use = Food and Industrial Use + Feed Waste & Dockage + Seed Use

(e) Soybean food and industrial use is based on data from the Canadian Oilseed Processors Association. Totals excludes flaxseed due to data confidentiality.

(f) Crop year average prices: No.1 CWRS 11.5% protein and No.1 CWAD 11.5% (CWB final price I/S St. Lawrence/Vancouver), Barley (No. 1 feed, WCE, cash, I/S Lethbridge), Corn (No.2 CE, cash, I/S Chatham), Oats (US No. 2 Heavy, CBoT nearby futures), Rye (No.1 CW, I/S Saskatoon), Canola (No. 1 Canada, WCE, cash, I/S Vancouver), Flaxseed (No. 1 CW, WCE, cash, I/S Thunder Bay), Soybeans (No. 2, I/S Chatham).

* Canadian Wheat Board Pool Return Outlook - July 27, 2006

P: Preliminary estimates

F: Forecast; Agriculture and Agri-Food Canada - August 4, 2006

Source: Statistics Canada, Cereals and Oilseeds Review Series, Cat. No. 22-007



CANADA: PULSE AND SPECIAL CROPS OUTLOOK

August 4, 2006

For 2006-07, the total area seeded to pulse and special crops in Canada decreased by 12% from 2005-06, as higher areas for dry peas, chickpeas and buckwheat were more than offset by lower areas for lentils, dry beans, mustard seed, canary seed and sunflower seed. Statistics Canada's (STC) seeded area survey released on June 22, provided estimates for most pulse and special crops by province, but for some of the smaller producing provinces the area seeded has been forecast by AAFC. Crop development is generally ahead of normal. The abandonment rate is expected to be normal, except for dry peas and canary seed in Saskatchewan for which slightly higher than normal abandonment is forecast because of excessive moisture in north-eastern Saskatchewan, where a significant portion of these crops are produced. Yields are generally expected to be slightly lower than trend in western Canada because of hot and mostly dry weather during July. Trend yields are expected for eastern Canada. It is assumed that precipitation will be normal for the harvest period and that quality will be normal. The dry pea, lentil, chickpea and mustard seed harvest has started.

Total production in Canada is forecast to decrease by 19%, from 2005-06, to 4.29 million tonnes (Mt). Total supply is expected to decrease by 15% to 5.75 Mt, as higher carry-in stocks offset some of the decrease in production. Exports, domestic use and carry-out stocks are forecast to decrease because of the lower supply. Average prices, over all types, grades and markets, are forecast to increase for dry peas, lentils, mustard seed, canary seed and sunflower seed, decrease for dry beans and chickpeas, and be the same for buckwheat. The stronger Canadian dollar, compared to the US dollar, is expected to have the largest impact on dry bean and sunflower seed prices, as Canadian prices for these crops are directly related to US prices. The main factors to watch are Canadian weather conditions, especially precipitation, during the remainder of the growing period for late crops, dry beans, sunflower seed and buckwheat, and during the harvest period for all crops. Other factors to watch are the exchange rates of the Canadian dollar against the US dollar and other currencies, ocean shipping rates and growing conditions in the major producing regions, especially the United States, Australia, India and Mexico.

DRY PEAS

For 2006-07, production and supply are forecast to decrease, as lower yields and higher abandonment more than offset the 4% increase in seeded area. Production is expected to decrease for yellow, green and other types. World supply is forecast to decrease by 2% to 11.86 Mt as slightly higher production, mainly in the US and EU, is more than offset by lower carry-in stocks. Canadian exports are forecast to decrease because of lower Canadian supply and lower demand in the EU feed markets. Carry-out stocks are forecast to decrease, with a stocks-to-use ratio (s/u) of 7%. The average price, over all types, grades and markets, is expected to rise from 2005-06 due to the lower supply.

LENTILS

For 2006-07, production and supply are forecast to decrease sharply due to a 34% lower seeded area and lower yields. Production is expected to decrease sharply for large, medium and small green lentils, but increase for red lentils. Carry-in stocks are forecast to be high for green lentils, but low for red lentils. World supply is forecast to decrease by 2% to 4.43 Mt, due to a fall in the supply of green lentils. Canadian exports are expected to increase because of a higher supply of red lentils. Carry-out stocks are forecast to decrease sharply, with a s/u of 35%. The average price is forecast to increase for green lentils, as the supply of green lentils decreases, but decrease for red lentils, as the supply of red lentils increases. Over all types and grades, the average price is forecast to increase.

DRY BEANS

For 2006-07, production is expected to decrease slightly, as a 15% lower seeded area is partly offset by lower abandonment and higher yields. Production is forecast to increase for Great Northern, pinto and black beans, decrease for light and dark red kidney and cranberry beans,

and remain stable for white pea, pink and small red beans. Supply is expected to increase slightly because of higher carry-in stocks. In the US, production is expected to decrease by 14% to 1.025 Mt, while supply decreases by only 8% to 1.215 Mt due to higher carry-in stocks. Canadian exports are forecast to increase due to the higher supply. Carry-out stocks are expected to remain stable, with a s/u of 7%. The average price, over all classes and grades, is forecast to decrease because of the higher Canadian supply, increased share of lower priced classes of beans in total production, and the stronger Canadian dollar.

CHICKPEAS

For 2006-07, production and supply are forecast to increase, as an 82% higher seeded area more than offsets lower yields. Production is forecast to increase for all types, large kabuli, small kabuli and desi. World supply is expected to decrease by 2% to 8.9 Mt, as an increase for the kabuli type is more than offset by a decrease for the desi type. Although Canadian exports are forecast to increase because of the higher supply, carry-out stocks are expected to rise, with a s/u of 10%. The average price, over all types and grades, is forecast to fall due to higher world supply of the kabuli type, which accounts for about 85% of Canadian production, although the price of the desi type is forecast to increase.

MUSTARD SEED

For 2006-07, production and supply are forecast to decrease because of a 34% lower seeded area and lower yields. Production is expected to decrease for all types, yellow, brown and oriental. A significant portion of the carry-in stocks is expected to be low quality seed. Exports are expected to rise due to higher demand and carry-out stocks are forecast to decrease sharply, with a s/u of 34%. The average

price, over all types and grades, is expected to increase due to the lower supply.

CANARY SEED

For 2006-07, production and supply are forecast to decrease due to a 34% lower seeded area and lower yields. World supply is forecast to decrease by 21% to 345,000 t. Canadian exports are expected to decrease slightly due to higher prices, while carry-out stocks decrease sharply, with a s/u of 43%. The average price is forecast to rise because of the lower supply.

SUNFLOWER SEED

For 2006-07, production and supply are forecast to increase as a 13% lower seeded area is more than offset by lower abandonment and higher yields. Production is expected to increase for both types, confectionery and oilseed. US supply is expected to decrease by 22% to 1.49 Mt. Canadian exports are forecast to increase because of the higher supply. Carry-out stocks are expected to remain stable, with a s/u of 15%. The average price, over both types, is forecast to increase only slightly, as support from lower US supply is mostly offset by pressure from higher Canadian supply and the stronger Canadian dollar.

BUCKWHEAT

For 2006-07, Canadian production and supply are forecast to increase due to higher seeded area. The average price is expected to be the same as in 2005-06.

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CANADA: PULSE AND SPECIAL CROPS SUPPLY AND DISPOSITION

August 4, 2006

Grain and Crop Year (a)	Area Seeded thousand ha	Area Harvested thousand ha	Yield t/ha	Production	Imports (b)	Total Supply thousand metric tonnes	Exports (b)	Total Domestic Use (d)	Carry-out Stocks	Average Price (e) \$/t
Dry Peas										
2002-2003	1,297	1,050	1.30	1,365	41	1,681	626	745	310	210
2003-2004	1,303	1,271	1.67	2,124	24	2,458	1,316	937	205	175
2004-2005	1,388	1,345	2.48	3,338	57	3,600	1,853	1,152	595	135
2005-2006p	1,366	1,319	2.35	3,100	90	3,785	2,500	985	300	120
2006-2007f	1,420	1,349	2.08	2,800	100	3,200	2,000	1,000	200	115-145
Lentils										
2002-2003	601	387	0.91	354	9	494	320	119	55	390
2003-2004	554	536	0.97	520	5	580	367	175	38	420
2004-2005	778	750	1.28	962	10	1,010	451	314	245	310
2005-2006p	884	862	1.48	1,278	10	1,533	640	313	580	230
2006-2007f	587	558	1.20	670	10	1,260	680	250	330	245-275
Dry Beans										
2002-2003	230	219	1.89	414	40	489	298	96	95	445
2003-2004	167	167	2.13	356	31	482	344	83	55	495
2004-2005	163	126	1.75	220	28	303	278	20	5	650
2005-2006p	197	175	1.85	324	35	364	295	44	25	495
2006-2007f	168	165	1.94	320	30	375	305	45	25	470-500
Chickpeas										
2002-2003	221	154	1.01	156	9	345	105	160	80	300
2003-2004	63	63	1.08	68	2	150	74	51	25	330
2004-2005	47	39	1.31	51	4	80	47	28	5	385
2005-2006p	79	73	1.42	104	8	117	75	37	5	485
2006-2007f	144	132	1.14	150	5	160	105	40	15	410-440
Mustard Seed										
2002-2003	289	255	0.60	154	9	196	114	22	60	595
2003-2004	340	328	0.69	226	2	288	121	75	92	390
2004-2005	317	304	1.01	306	1	399	119	86	194	295
2005-2006p	212	206	0.98	201	1	396	135	86	175	265
2006-2007f	140	135	0.89	120	1	296	140	81	75	285-315
Canary Seed										
2002-2003	287	227	0.78	176	0	206	160	26	20	575
2003-2004	251	243	0.93	226	0	246	165	14	67	345
2004-2005	356	318	0.95	301	0	368	163	35	170	230
2005-2006p	190	186	1.22	227	0	397	180	32	185	195
2006-2007f	125	117	0.98	115	0	300	175	35	90	200-230
Sunflower Seed										
2002-2003	100	95	1.65	157	21	200	105	60	35	440
2003-2004	119	115	1.30	150	16	201	96	80	25	405
2004-2005	87	59	0.92	54	35	114	32	64	18	490
2005-2006p	93	75	1.19	89	25	132	45	67	20	345
2006-2007f	81	76	1.45	110	20	150	60	70	20	335-365
Buckwheat										
2002-2003	12	12	1.00	12	1	16	6	7	3	340
2003-2004	9	9	1.11	10	1	14	5	7	2	355
2004-2005	9	7	0.71	5	1	8	4	4	0	355
2005-2006p	7	6	1.33	8	1	9	4	5	0	355
2006-2007f	10	9	1.00	9	1	10	5	5	0	340-370
Total Pulse And Special Crops (c)										
2002-2003	3,036	2,399	1.16	2,788	130	3,627	1,734	1,235	658	
2003-2004	2,805	2,732	1.35	3,680	81	4,419	2,488	1,422	509	
2004-2005	3,145	2,948	1.78	5,237	136	5,882	2,947	1,703	1,232	
2005-2006p	3,028	2,902	1.84	5,331	170	6,733	3,874	1,569	1,290	
2006-2007f	2,675	2,541	1.69	4,294	167	5,751	3,470	1,526	755	

(a) August-July crop year.

(b) Excludes products.

(c) Includes Pulse Crops (dry peas, lentils, dry beans, chick peas) and Special Crops (mustard seed, canary seed, sunflower seed, buckwheat)

(d) Includes food, feed, seed, waste and dockage. Total domestic use is calculated residually.

(e) Producer price, FOB plant. Average over all types, grades and markets.

p: preliminary

f: forecast, Agriculture and Agri-Food Canada, August 4, 2006

Source: Statistics Canada and industry consultations.

A. SELLING PRICE OF BULK FEED INGREDIENTS AT SELECTED POINTS

August 8, 2006

SELECTED POINT	REFERENCE PERIOD	PRICE BASIS	(1) WHEAT	OATS	BARLEY	CORN	PRICE BASIS	SOYBEAN MEAL	CANOLA MEAL	MILL-FEEDS	MEAT MEAL	FISH MEAL	ANIMAL FAT	GLUTEN MEAL	GLUTEN FEED	FEED PEAS	DEHY ALFALFA	FEATHER MEAL
Vancouver	August 8, 2006	FOB	150.00	N/A	138.00	148.00		237.50	136.00	117.00		1050.00	520.00					385.00
BC (4) (7)	July 31, 2006	FOB	150.00	N/A	138.00	149.00		248.00	140.00	115.00		1050.00	520.00					385.00
Calgary	August 8, 2006	FOB	112.00	N/A	112.00	131.00		234.00			150.00	1050.00	430.00					350.00
AB (4)	July 31, 2006	FOB	112.00	N/A	112.00	135.00		242.50			150.00	1050.00	430.00					350.00
Saskatoon	August 8, 2006	FOB	112.50	145.00	103.00	125.00		239.00	N/A		160.00	N/A	430.00			119.00		360.00
SK (4)	July 31, 2006	FOB	114.00	146.00	105.00	124.00		249.00	N/A		160.00	N/A	430.00			121.00		360.00
Winnipeg	August 8, 2006	FOB	142.50	140.00	111.00	116.00		222.00	N/A		270.00	1112.50	515.00					380.00
MB (4) (9)	July 31, 2006	FOB	142.50	140.00	111.00	115.00		231.50	N/A		270.00	1112.50	515.00					380.00
Thunder Bay	August 8, 2006	In-Store	136.00	N/A	109.00													
ON (8)	July 31, 2006	In-Store	136.08	N/A	107.50													
Lake Ports	August 8, 2006	On Board				108.59												
USA (3)	July 31, 2006	Vessel				107.75												
Bay Ports	August 8, 2006	In-Store	162.00	200.00	122.00													
ON	July 31, 2006	In-Store	162.00	200.00	122.00													
Chatham	August 8, 2006	Track				104.94												
ON	July 31, 2006	Track				104.21												
Toronto	August 8, 2006	N/A					FOB				182.00		385.00	N/A				325.00
ON (5)	July 31, 2006	N/A									182.00		385.00	N/A				330.00
Hamilton	August 8, 2006	N/A						210.43	N/A									
ON	July 31, 2006	N/A						218.81	N/A									
Eastern	August 8, 2006	FOB				112.00												
ON	July 31, 2006	FOB				110.54												
London	August 8, 2006	FOB																
ON	July 31, 2006	FOB								50.00								
Port Colborne	August 8, 2006	FOB								62.00								
ON	July 31, 2006	FOB																
Cardinal	August 8, 2006	FOB																
ON	July 31, 2006	FOB																
Montreal	August 8, 2006		165.00	160.00	140.00	127.00		223.95	158.50	78.33	180.00	850.00	415.50	N/A	N/A			360.00
QC (5)	July 31, 2006		163.00	165.00	140.00	127.00	FOB	232.04	164.60	81.67	180.00	850.00	427.50	N/A	N/A			360.00
Trois-Rivières	August 8, 2006	In-Store	168.50		149.70	133.75												
QC	July 31, 2006	In-Store	167.75		148.80	132.77												
St. Jean QC (2)	August 8, 2006	FOB	145.38	136.75	129.18	121.99		230.75										
St. Hyacinthe QC	July 31, 2006	FOB	145.19	134.75	130.70	119.78		236.75										
Quebec	August 8, 2006	In-Store	166.50	N/A	160.48	130.17		229.12	160.67									
QC	July 31, 2006	In-Store	166.25	N/A	160.14	129.84		237.09	164.20									
Truro	August 8, 2006	Track	207.68	N/A	168.80	161.74		266.74	197.50		241.10		554.00					360.00
NS	July 31, 2006	Track	201.89	N/A	168.80	158.14	FOB	272.37	197.50		241.10		548.00					360.00
Truro	August 8, 2006	Water	N/A	N/A	N/A	N/A												
NS	July 31, 2006	& Truck	N/A	N/A	N/A	N/A												
Halifax	August 8, 2006	In-Store	186.95	N/A	N/A	154.85		283.00	227.80	297.50		N/A						
NS (6)	July 31, 2006	In-Store	186.70	N/A	N/A	150.93		290.50	232.15	297.50		N/A						

Source: Market Analysis Division, Agriculture and Agri-Food Canada; Thunder Bay prices are based on the Winnipeg Commodity Exchange (WCE) market close

US\$1.00 = CAN\$ 1.127

Closing date August 7/2006

N/A = not available

Contact: André Doumè Statistical Clerk Telephone: (204) 983-0581 Fax: (204) 983-5524 Email: doumbea@agr-gc.ca

Footnotes: All prices in Canadian dollars per metric tonne based on survey respondents.

Grain grades (unless otherwise specified) are: Western or Eastern Feed Wheat. Feed Oats. No.1 Canada Western or Eastern Barley. No.2 Canada Yellow Corn. No.3 US Yellow Corn. Soybean Meal 48 % Protein. Canola Meal based on minimum standard of 35% Protein. Fish Meal: white fish and/or herring meal. Gluten Meal 60% Protein. Gluten Feed 21% Protein.

(1) Wheat 3CWRS (2) Canadian Corn #3 or #2 (3) US Corn (4) Fish Meal from West Coast 63% Protein (5) Fish Meal 60% Protein (6) Herring Fish Meal (7) Fraser Valley (8) Wheat & Barley (Basis - Cash Price WCE) (9) Oats 3CW

B. CASH PRICES AND REPLACEMENT VALUES

August 8, 2006

PRAIRIE GRAINS

Selected Points	Price Basis		This week August 8, 2006	Last week July 24, 2006	Month ago July 10, 2006	Year Ago August 2, 2005
From: Thunder Bay(WCE) (2)	In-Store	Wheat	134.00	134.00	132.00	109.00
(CBOT)		Oat	181.00	189.75	195.00	169.00
(Lethbridge)		Barley	113.00	110.00	110.00	112.50
To: Bayport, ON (1)	In-store	Wheat	157.61	157.61	155.61	132.61
		Oat	N/A	N/A	N/A	N/A
		Barley	140.39	137.39	137.39	139.89
Montreal, QC (1)	In-store	Wheat	162.03	162.03	160.03	137.03
		Oat	N/A	N/A	N/A	N/A
		Barley	145.31	142.31	142.31	144.81
Moncton, NB	Truck via Halifax	Wheat	184.25	184.25	182.25	159.25
		Oat	N/A	N/A	N/A	N/A
		Barley	169.50	166.50	166.50	169.00
Truro, NS	Truck via Halifax	Wheat	178.22	178.22	176.22	153.22
		Oat	N/A	N/A	N/A	N/A
		Barley	167.00	164.00	164.00	166.50
Halifax, NS (1)	In-store	Wheat	169.28	169.28	167.28	144.28
		Oat	N/A	N/A	N/A	N/A
		Barley	153.30	150.30	150.30	152.80
Stephenville, NL	Track / Truck via Sydney	Wheat	232.63	232.63	230.63	207.63
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A
Melfort, SK		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Bayport, ON		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Montreal, QC		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Moncton, NB		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Truro, NS		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track / Truck via Sydney	Barley	N/A	N/A	N/A	N/A
Stephenville, NL		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A

Selected Points	Price Basis		This week August 8, 2006	Last Week July 24, 2006	Month Ago July 10, 2006	Year Ago August 2, 2005
Corn						
From: US Lake Port	On Board Vessel		108.59	108.93	110.90	108.88
To: Montreal, QC (1)	In-store		127.63	127.97	129.94	127.92
From: Chicago (IL)	Track		105.48	107.59	110.02	109.36
To: Montreal, QC	Track		134.34	136.45	138.88	138.22
From: Chatham, ON	Track		104.94	104.21	103.52	114.85
To: Montreal, QC	Track		128.81	128.08	127.39	138.72

Soymeal 48% Protein						
From: Hamilton, ON			210.43	218.81	228.07	235.62
To: Montreal, QC	Track		234.76	243.14	252.40	259.95
Moncton, NB	Track		253.51	261.89	271.15	278.70
Truro, NS	Track		256.73	265.11	274.37	281.92
Stephenville, NL	Track / Truck via Sydney		305.36	313.74	323.00	330.55

- Prices include ONE month of storage and interest charges n/a = not available
- Thunder Bay prices are based on the Winnipeg Commodities Exchange market close (Cash price)

Source: Market Analysis Division, Agriculture and Agri-Food Canada

Contact: André Dombé: Statistical Clerk (204) 983-0581 Fax: (204) 983-5524 e-mail: doumbea@agr.gc.ca

Footnotes: All prices quoted in Canadian dollars per metric tonne.

Grain grades (unless otherwise specified) are: Canada Western Feed Wheat, Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn.

Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec.

Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable

July 24, 2006

A. SELLING PRICE OF BULK FEED INGREDIENTS AT SELECTED POINTS

SELECTED POINT	REFERENCE PERIOD	PRICE BASIS	(1) WHEAT	OATS	BARLEY	CORN	PRICE BASIS	SOYBEAN MEAL	CANOLA MEAL	MILL-FEEDS	MEAT MEAL	FISH MEAL	ANIMAL FAT	GLUTEN MEAL	GLUTEN FEED	FEED PEAS	DEHY ALFALFA	FEATHER MEAL
Vancouver	July 24, 2006	FOB	146.00	N/A	135.00	148.00		246.00	139.50	108.00		1050.00	520.00					385.00
BC	July 17, 2006		139.00	N/A	135.00	155.35		250.50	149.36	103.00		1025.00	520.00					385.00
Calgary	July 24, 2006	FOB	110.00	N/A	107.00	132.00		243.00				1050.00	330.00					360.00
AB	July 17, 2006		110.00	N/A	107.00	137.00		245.00				1050.00	430.00					420.00
Saskatoon	July 24, 2006	FOB	110.50	145.00	94.00	124.00		249.50	N/A			160.00	N/A			117.00		390.00
SK	July 17, 2006		110.50	145.00	94.00	129.00		251.50	N/A			140.00	430.00			117.00		420.00
Winnipeg	July 24, 2006	FOB	145.50	140.00	111.50	116.00		232.00	N/A			270.00	515.00					380.00
MB	July 17, 2006		145.00	140.00	112.00	121.00		234.00	N/A			260.00	515.00					380.00
Thunder Bay	July 24, 2006	In-Store	136.00	N/A	107.50													
ON	July 17, 2006		136.50	N/A	107.50													
Lake Ports	July 24, 2006	On Board				108.93												
USA	July 17, 2006	Vessel				113.07												
Bay Ports	July 24, 2006	In-Store	162.00	200.00	122.00													
ON	July 17, 2006		162.00	200.00	122.00													
Chatham	July 24, 2006	Track				104.21												
ON	July 17, 2006					107.21												
Toronto	July 24, 2006	N/A																
ON	July 17, 2006																	
Hamilton	July 24, 2006	N/A						218.81	N/A									
ON	July 17, 2006							227.51	N/A									
Eastern	July 24, 2006	FOB				110.00												
ON	July 17, 2006					116.50												
London	July 24, 2006	FOB																
ON	July 17, 2006																	
Port Colborne	July 24, 2006	FOB																
ON	July 17, 2006																	
Cardinal	July 24, 2006	FOB																
ON	July 17, 2006																	
Montreal	July 24, 2006		163.00	160.00	140.00	125.00		233.03	166.10	80.00	175.00	850.00	401.50	N/A	N/A		270.00	360.00
QC	July 17, 2006		165.00	160.00	143.00	125.00		240.01	172.75	93.33	175.00	850.00	401.50	N/A	N/A		270.00	360.00
Trois-Rivières	July 24, 2006	In-Store	168.50		150.00	133.95												
QC	July 17, 2006		170.00		149.70	143.20												
St. Jean OC (2)	July 24, 2006	FOB	148.38	132.50	131.25	119.78		239.04										
St. Hyacinthe QC	July 17, 2006		152.75	139.00	132.68	122.42		242.92										
Quebec	July 24, 2006	In-Store	165.17	N/A	157.59	129.78		239.95	170.53									
QC	July 17, 2006		167.00	N/A	159.73	136.88		244.55	172.30									
Truro	July 24, 2006	Track	202.11	N/A	164.15	164.15		275.95	201.25									
NS	July 17, 2006		197.03	N/A	160.73	167.99		280.33	201.25									
Truro	July 24, 2006	Water	N/A	N/A	N/A	N/A												
NS	July 17, 2006	& Truck	N/A	N/A	N/A	N/A												
Halifax	July 24, 2006	In-Store	185.45	N/A	N/A	151.65		293.00	230.25	297.50								
NS	July 17, 2006		183.95	N/A	N/A	162.25		299.19	240.10	297.50								

Source: Market Analysis Division, Agriculture and Agri-Food Canada; Thunder Bay prices are based on the Winnipeg Commodity Exchange (WCE) market close
 Closing date July 21/2006
 US\$1.00 = CANS 1.1375
 N/A = not available

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Footnotes: All prices in Canadian dollars per metric tonne based on survey respondents.
 Grain grades (unless otherwise specified) are: Western or Eastern Feed Wheat. Feed Oats. No. 1 Canada Western or Eastern Barley. No. 2 Canada Yellow Corn. No. 3 US Yellow Corn.
 Soybean Meal 48 % Protein. Canola Meal based on minimum standard of 35% Protein. Fish Meal: white fish and/or herring meal. Gluten Meal 60% Protein. Gluten Feed 21% Protein.

(1) Wheat 3CWSR (2) Canadian Corn #3 or #2 (3) US Corn (4) Fish Meal from West Coast 63% Protein (5) Fish Meal 60% Protein (6) Herring Fish Meal (7) Fraser Valley (8) Wheat & Barley (Basis - Cash Price WCE) (9) Oats 3CW

B. CASH PRICES AND REPLACEMENT VALUES

July 24, 2006

PRAIRIE GRAINS

Selected Points	Price Basis		This week July 24, 2006	Last week July 10, 2006	Month ago June 26, 2006	Year Ago July 25, 2005
From: Thunder Bay(WCE) (2)	In-Store	Wheat	134.00	132.00	134.00	109.00
(CBO7)		Oat	189.75	195.00	202.00	169.00
(Lethbridge)		Barley	110.00	110.00	114.00	112.50
To: Bayport, ON (1)	In-store	Wheat	157.61	155.61	157.61	132.61
		Oat	N/A	N/A	N/A	N/A
		Barley	137.39	137.39	141.39	139.89
Montreal, QC (1)	In-store	Wheat	162.03	160.03	162.03	137.03
		Oat	N/A	N/A	N/A	N/A
		Barley	142.31	142.31	146.31	144.81
Moncton, NB	Truck via Halifax	Wheat	184.25	182.25	184.25	159.25
		Oat	N/A	N/A	N/A	N/A
		Barley	166.50	166.50	170.50	169.00
Truro, NS	Truck via Halifax	Wheat	178.22	176.22	178.22	153.22
		Oat	N/A	N/A	N/A	N/A
		Barley	164.00	164.00	168.00	166.50
Halifax, NS (1)	In-store	Wheat	169.28	167.28	169.28	144.28
		Oat	N/A	N/A	N/A	N/A
		Barley	150.30	150.30	154.30	152.80
Stephenville, NL	Track / Truck via Sydney	Wheat	232.63	230.63	232.63	207.63
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A
Melfort, SK		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Bayport, ON		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Montreal, QC		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Moncton, NB		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Truro, NS		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track / Truck via Sydney	Barley	N/A	N/A	N/A	N/A
Stephenville, NL		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A

Selected Points	Price Basis		This week July 24, 2006	Last Week July 10, 2006	Month Ago June 26, 2006	Year Ago July 25, 2005
Corn						
From: US Lake Port	On Board Vessel		108.93	110.90	110.18	111.00
To: Montreal, QC (1)	In-store		127.97	129.94	129.22	130.04
From: Chicago (IL)	Track		107.59	110.02	106.23	111.95
To: Montreal, QC	Track		136.45	138.88	135.09	140.81
From: Chatham, ON	Track		104.21	103.52	103.05	114.92
To: Montreal, QC	Track		128.08	127.39	126.92	138.79

Soymeal 48% Protein						
From: Hamilton, ON			218.81	228.07	232.25	235.18
To: Montreal, QC	Track		243.14	252.40	256.58	259.51
Moncton, NB	Track		261.89	271.15	275.33	278.26
Truro, NS	Track		265.11	274.37	278.55	281.48
Stephenville, NL	Track / Truck via Sydney		313.74	323.00	327.18	330.11

1. Prices include ONE month of storage and interest charges n/a = not available

2. Thunder Bay prices are based on the Winnipeg Commodities Exchange market close (Cash price)

Source: Market Analysis Division, Agriculture and Agri-Food Canada

Contact: André Doumbé: Statistical Clerk (204) 983-0581 Fax: (204) 983-5524 e-mail: doumbea@agr.gc.ca

Footnotes: All prices quoted in Canadian dollars per metric tonne.

Grain grades (unless otherwise specified) are: Canada Western Feed Wheat, Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn.

Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec.

Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable



Bi-weekly Bulletin

August 11, 2006 Volume 19 Number 12

THE IMPACT OF THE APPRECIATION OF THE CANADIAN DOLLAR ON CANADA'S GRAIN AND OILSEED PRICES AND TRADE

Canada is the fourth largest exporter in the world grains and oilseeds (G&O) market. With a relatively small domestic market for its products, the Canadian G&O industry depends heavily on the international market. The appreciation of the Canadian dollar, against the United States (US) dollar, since 2002-2003 has significantly reduced domestic and export G&O prices and returns to Canadian producers, in terms of Canadian dollars. For 2006-2007, the Canadian dollar is projected by the major Canadian banks to be slightly stronger than 2005-2006, which will continue to depress Canadian G&O prices.

BACKGROUND

The exchange rate is the value of one currency in terms of another. Under a floating exchange rate system, the value of a country's currency is determined by supply and demand for that currency which, in turn, reflects a country's international trade in goods and services, and foreign investment. The value of the Canadian dollar against the US dollar is very important because the US dollar has been the world's pre-eminent international currency for the past half century and most Canadian trade is with the US. On average, CAN\$100 billion per day is bought and sold on the international exchange markets.

Central banks are sometimes directly involved in the foreign exchange market as a means of achieving monetary policy objectives. The Bank of Canada intervenes in foreign exchange markets only on a discretionary, rather than a systematic, basis

and only in the most exceptional of circumstances. However, it influences the exchange rate by changing the target for the Overnight (Interest) Rate.

The main factors determining exchange rates are *interest rates*, *inflation rates* and the *balance of payments*. These factors, in turn, influence supply and/or demand for a particular currency. When the demand for a currency increases or the supply of a currency decreases, the currency appreciates in value relative to another currency; and vice versa.

Differentials in interest rates between two countries influence international capital flows and, thus, short-term exchange rates. An increase in the interest rate is expected to attract foreign capital, raising the demand for and value of the domestic currency. When the inflation rate is high, investors are less likely to invest in a country - even with higher interest rates - because the value of the

currency will be eroded by inflation.

The balance of payments approach emphasizes the flow of goods, services and investment capital. A deficit in a country's balance of payments indicates stronger demand for foreign currencies, relative to demand for its own currency, resulting in a depreciation of its own currency.

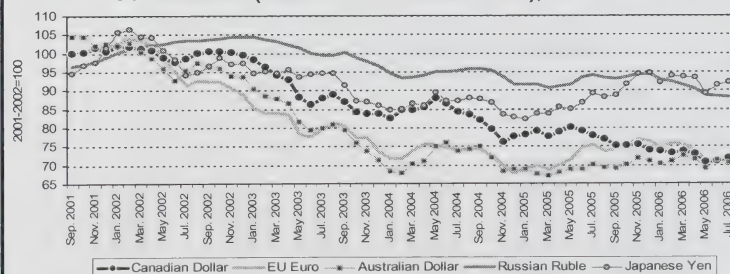
The Multilateral Depreciation of the US dollar

The US dollar has depreciated sharply against other major currencies in recent years, as shown in Figure 1. For the past five crop years, the average value of the US dollar has dropped by 30% relative to the Australian dollar, 26% to the Canadian dollar and the European euro, 12% to the Brazilian real, and 8% to the Japanese yen and Russian ruble. The exception is the Argentine peso, which depreciated by 46% against the US dollar during the same period.

The single largest factor contributing to the weakness of the US dollar has been the large and growing *US current account deficit*. Some suggest that further depreciation of the US dollar is necessary to resolve the "global imbalance".

Three other factors have contributed to the weakness of the US dollar: (1) the sharp increase in *US federal budget deficit* has undermined investor confidence and US state and local governments have also run high deficits, (2) *US households* have increased their debt load to record high levels, and (3) confidence in US stocks, bonds and other investments, triggered by corporate accounting scandals has declined.

FIGURE 1: CHANGES IN EXCHANGE RATES FOR MAJOR CURRENCIES (AGAINST THE US DOLLAR), 2001-2006



Source: Pacific Exchange Rate Service



The Appreciation of the Canadian dollar

In the last five years (August-July), the Canadian dollar has appreciated by 26% against the US dollar, from CAN\$1.57 per US dollar (US\$) for 2001-2002 to CAN\$1.16/US\$ for 2005-2006. This appreciation appears to be largely due to three factors: (1) the weakness in the US dollar, (2) strong foreign demand for Canadian goods, and (3) decreased deficit in investment income.

World prices for energy and non-energy commodities have influenced the value of the Canadian dollar. Sustained strength in the US economy and tremendous growth in China and other parts of Asia have led to a substantial increase in world demand for oil and gas, metals, and other commodities that Canada exports.

Canada's deficit in investment income has been shrinking rapidly for both direct and portfolio investments. As the current account surpluses accumulate, the deficit on portfolio investment has been falling, which can be tracked back to the elimination of fiscal deficits. The other factor is a shrinking deficit on direct investment income which moved into a surplus in the first quarter of 2006 for the first time since 1994.

THE IMPACT ON CANADIAN G&O MARKETS

Canada's Reliance on G&O Trade

Canada is the fourth largest exporter in the world G&O market. Since 2000-2001, Canada has exported about 22.6 Mt of G&O annually, which accounts for about 8.1% of world exports. The US is the largest exporter, with 109.1 Mt of exports or 38.9% of the market. This is followed by Argentina with 10.7% of the market, and Brazil with 8.2%. Among the other major exporters, Australia and the EU each account for 7.8% of the market share, and Russia and Ukraine each account for 3% of the world market.

The Canadian G&O sector is heavily dependent on international markets to sell its products, but that reliance is diminishing. For the past five years, G&O exports have accounted for about 39% of Canadian production, compared to 46% during the 1990s and 50% during the 1980s. For the past 5 years, exports accounted for 26% of the total production for the US, 23% for Brazil, 40% for Argentina and 61% for Australia.

Canadian imports, mainly corn and to a lesser extent soybeans, from the US, have increased significantly in the last decade. As well, Canadian domestic prices for G&O follow international prices closely.

The Dominance of the US dollar

Exchange rates are probably the most important macroeconomic variable affecting Canada's international trade in G&O. Exchange rates affect export prices and volumes, domestic prices, Canada's competitiveness in world markets, and import prices and volumes.

Under the current international financial system, the US dollar is the predominant currency in world trade, including trade in G&O, in terms of pricing, payments and settlements. This role has been strengthened further by the fact that the US is the world's largest G&O producer and exporter.

Canadian G&O prices are largely determined by global supply and demand conditions, especially in large producing countries, such as the US and the EU. Canada is a relatively small player in the world market and is essentially a "price taker" in the world G&O markets, except for durum wheat, in which Canada accounts for 50% of the world exports. Since G&O are traded in world markets in US dollars, the appreciation of the Canadian dollar, compared to the US dollar, results in lower G&O domestic and export prices in terms of Canadian dollars.

Export Prices

Wheat is Canada's most important grain export, accounting for 70% of the total G&O exports for the last five years. Canada has established a reputation for supplying high quality wheat for the world market. No. 1 Canada Western Red Spring wheat with 13.5% protein (1CWRS13.5) competes with the US Dark Northern Spring wheat with 14% protein (US DNS14.0). The Canadian export price for 1 CWRS13.5 FOB St. Lawrence follows the price for US DNS14.0 FOB Pacific Northwest very closely, with the spread reflecting the difference in quality, location, and other factors.

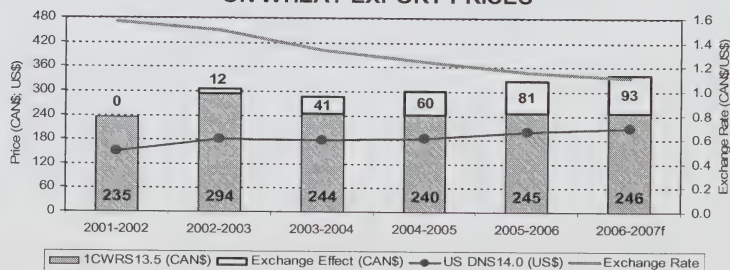
Figure 2 illustrates the effect Canada's stronger dollar has had on wheat export prices. The price for US DNS14.0 has been at high levels since 2001-2002 and moved up in three of the four years. For the same period, the Canadian dollar has appreciated significantly against the US dollar. As a result, the price for 1CWRS13.5 has generally trended down. Compared to its value in the base year (2001-2002), the appreciation of the Canadian dollar is estimated to have lowered Canadian export prices by \$12 per tonne (t) for 2002-2003, \$41/t for 2003-2004, \$60/t for 2004-2005 and \$81/t for 2005-2006 and \$93/t for 2006-2007.

Canola is the major oilseed crop Canada exports, both in seed and as processed products. The export price for No. 1 Canada I/S Vancouver has decreased since 2001-2002, due to the significant appreciation of the Canadian dollar and other factors. Compared to its value in the 2001-2002, the appreciation of the Canadian dollar is estimated to have lowered canola export prices by \$20/t in 2002-2003, \$67/t in 2003-2004, \$82/t in 2004-2005 and \$99/t in 2005-2006.

Domestic Prices

G&O prices in Canada generally follow international prices very closely. In addition to the heavy dependence on exports of the Canadian G&O industry, the Canadian domestic market is highly integrated with the world market through the US market where US prices serve as the basis for the rest of the world. Specifically, the Canadian domestic price for wheat is based on the futures price on the Minneapolis Grain Exchange (MGE). Corn, soybeans and oats are generally priced against the futures prices at the Chicago Board of Trade (CBOT). Canola and feed barley prices are determined at the Winnipeg Commodity Exchange and influenced by CBOT soyoil and corn prices, respectively.

FIGURE 2: THE IMPACT OF EXCHANGE RATE ON WHEAT EXPORT PRICES



f: forecast

Source: Canadian Wheat Board, Minneapolis Grain Exchange, Pacific Exchange Rate Service

When the Canadian dollar appreciates, world G&O prices in Canadian dollars decrease accordingly, depressing not only Canada's export prices but also domestic prices. Furthermore, the appreciation of the Canadian dollar makes imports less expensive than domestic supplies, further pressuring Canadian domestic prices.

Corn prices at Chatham elevator and **feed barley** prices at Lethbridge are highly correlated with CBoT corn prices. The appreciation of the Canadian dollar has substantially lowered the landed price of US corn, in both eastern and western Canada. This has contributed to increased corn imports from the US, and lower Canadian domestic prices for corn and feed barley.

Lower import and domestic G&O prices have reduced producer prices significantly. However, the livestock and the G&O processing sectors have benefited from lower G&O prices. For G&O farmers, the appreciation of the Canadian dollar by itself has the effect of lowering production costs, as a result of lower import and domestic prices for some agricultural inputs. However, this effect has been more than offset by the higher energy prices. In addition, for multinational companies, a strong Canadian dollar means higher wages, salaries and other costs for their Canadian operations compared to their US operations.

Export Volumes

Economic theory suggest that the quantity of exports should be inversely related to changes in the exchange rate. The appreciation of the Canadian dollar would then be associated with lower export volumes because Canadian exporters would find it more difficult to compete with other exporting countries.

As indicated in Figure 3, Canadian G&O exports had grown significantly since the 1970s and reached the highest level in the mid-1990s. The exchange rate was one of

the major factors underlying this growth, explaining about 50% of the changes in export volumes. Canadian G&O exports have trended down, from 34 Mt in 1994-1995 to 27 Mt in 2005-2006. However, the data fail to support a significant impact of exchange rate on export volume for this period. During the period of 1994-1995 to 2001-2002, while the Canadian dollar depreciated by 35% against the US dollar, Canadian G&O exports decreased by over 30%, rather than increased as economic theory predicts. Since 2002-2003, while the Canadian dollar appreciated by 26%, exports have increased by 17%. Adverse weather conditions caused a substantial decrease in domestic G&O production in 2001-2002 and 2002-2003, and domestic feed use trended higher in recent years, reducing exportable supplies.

There are several possible explanations as to why Canada's export volumes do not reflect how much the Canadian dollar has strengthened during the period in question. First, while export prices decline significantly for Canada, the shift from exports to domestic sales is limited. For Canada, since the domestic market is small, relative to exports, domestic demand is generally inelastic, particularly for the short-term, and domestic prices follow international prices closely.

Second, since world G&O prices are quoted in US dollars, much of the potential impact of the appreciation has been absorbed by Canada in terms of lower export prices in Canadian dollars. For importing countries, the strengthening of the Canadian dollar does not necessarily make imports from Canada more expensive than from alternative sources.

Third, other major currencies have also appreciated against the US dollar, limiting other exporters' potential advantage in competitiveness over Canada. Lastly, currencies for some of the major G&O importing countries also appreciated against the US dollar, making imports cheaper in

their own currencies and raising import demand.

Export Competition

In the world G&O market, Canada competes with traditional exporters such as the US, Australia, the EU and Argentina, as well as newly emerged exporters such as Brazil, Russia and Ukraine.

Depending on the extent to which major currencies appreciate against the US dollar, G&O export prices, in local currencies, are expected to have decreased the most for Australia, followed by Canada, the EU, Brazil and Russia. The US was little affected in terms of export prices, while Argentina was better off. The impact of exchange rates on export market shares among the major exporters should follow similar order.

With respect to the impact of recent changes in exchange rates on *market shares*, empirical data show mixed results. Compared to the period of 2001-2002 and 2002-2003, the market share for the period of 2003-2004 to 2005-2006 has decreased by 3.4 percentage points for the EU, increased by 1.8 points for Brazil, one point for the US and 0.6 points for Ukraine. These changes are generally consistent with changes in the value of their currencies, relative to the US dollar.

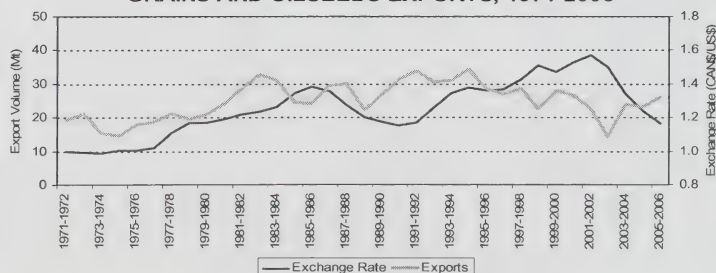
However, the market share has increased by one percentage point for Canada, 0.7 points for Australia, 0.2 point for Argentina and 0.1 point for Russia, which are inconsistent with changes in exchange rates. The fluctuation in exportable supplies, low elasticity for domestic demand and depressed domestic prices could constrain the ability for major exporters to respond to exchange rate changes, particularly for the short term.

Imports

Canada plays a much smaller role in the world G&O import market than in the export market. In the past five years, G&O imports averaged 3.8 Mt, of which 74% were corn and 12% were soybeans. While having been an exporter and an importer simultaneously in the corn and soybean markets, Canada has generally been a net exporter of soybeans but has become a net importer of corn since 1991-1992.

The Canada/US exchange rate has a moderate impact on the *quantity* of Canadian G&O imports. The appreciation of the Canadian dollar reduces the landed price of imports, mainly from the US, by a proportionate amount in Canadian dollars. In the case of corn, the strong growth in import demand and the fluctuation of domestic feed grain supplies also play major roles.

FIGURE 3: CANADA: EXCHANGE RATE AND GRAINS AND OILSEEDS EXPORTS, 1971-2006



Source: Pacific Exchange Rate Service, Statistics Canada

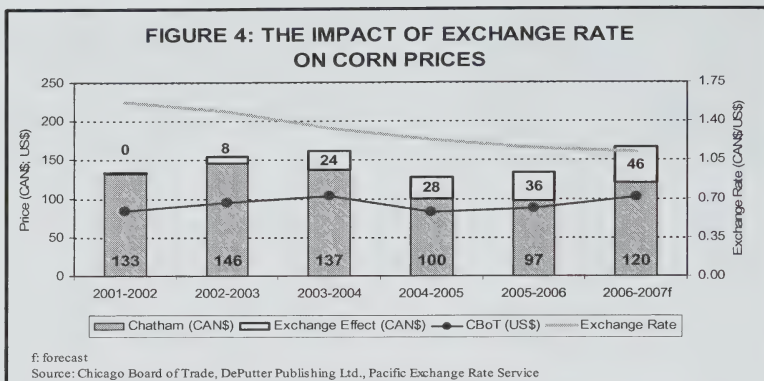
In eastern Canada, the price of corn is based on CBoT futures, with a premium or discount, depending on local supply and demand situations. Figure 4 illustrates the impact on Canadian corn import prices of the appreciation of the Canadian dollar. While CBoT corn prices increased by 24%, from US\$84/t in 2001-2002 to US\$104/t in 2003-2004, Chatham corn prices increased by only 3%, from \$133/t to \$137/t. Compared to 2003-2004, CBoT corn prices decreased by 16% to US\$87/t for 2005-2006 to date, while Chatham prices dropped by 29% to \$97/t. Compared to the base year, the appreciation of the Canadian dollar depressed Chatham corn prices by \$8/t for 2002-2003, \$24/t for 2003-2004, \$28/t for 2004-2005 and \$36/t for 2005-2006 to date, assuming no change in the basis.

OUTLOOK FOR 2006-2007

Market Fundamentals for the Canadian Dollar

The market fundamentals for the Canadian dollar remain solid, and any possible pullback in its value is expected to be modest. The continuing strength in the Canadian dollar is supported by the following three factors:

First, the US dollar has not depreciated nearly enough to start to reverse its current account deficit and there appears to be little inclination for the US government to take effective measures to address its fiscal deficit. Second, the surplus on Canada's trade in goods and services is expected to remain high and the decline in the deficit on portfolio investment is likely to continue. Third, prices for energy and other commodities are expected to remain supportive of the Canadian dollar.



Impact for 2006-2007

For 2006-2007, the exchange rate is forecast to appreciate slightly, from CAN\$1.16/US\$ for 2005-2006 to CAN\$1.13/US\$ for 2006-2007, as shown in Table 1. This is based on the average of the projections made by the five major Canadian banks – Royal Bank of Canada (RBC), Canadian Imperial Bank of Commerce (CIBC), Scotiabank, Bank of Montreal (BMO) and Toronto Dominion (TD) Bank – over the period of Quarter III of 2006 to Quarter II of 2007.

For 2006-2007, Canadian G&O prices are forecast at \$246/t for 1CWRS13.5 wheat (FOB St. Lawrence), \$120/t for No.2 CE corn (I/S Chatham), \$130/t for No. 1 Feed Barley (I/S Lethbridge) and \$310/t for No. 1 canola (I/S Vancouver). If the US/Canada currency exchange rate had stayed at the 2001-2002 level of CAN\$1.57/US\$, the price for 2006-2007 would have been \$93/t higher for wheat, \$46/t for corn, \$50/t higher for barley and \$125/t higher for canola.

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**TABLE 1: LATEST EXCHANGE RATE FORECASTS
BY MAJOR CANADIAN BANKS**

Bank	2006		2007		Crop Year	
	Quarter*				2005-2006	2006-2007
	3	4	1	2		
	.....CAN dollars per US dollar.....					
	BMO (Aug. 4)	1.120	1.105	1.085	1.090	1.163	1.100
CIBC (Jul. 31)	1.090	1.125	1.145	1.140	1.163	1.125
RBC (Aug. 4)	1.150	1.170	1.190	1.210	1.163	1.180
Scotiabank (Aug. 10)	1.130	1.110	1.110	1.100	1.163	1.063
TD Bank (Jul. 14)	1.124	1.149	1.163	1.176	1.163	1.153
Simple Average	1.123	1.132	1.139	1.143	1.163	1.134
Olympic Average	1.125	1.128	1.139	1.139	1.163	1.133

* end of quarter

Source: BMO, CIBC, RBC, Scotiabank, TD Bank

While the Market Analysis Division assumes responsibility for all information contained in this bulletin,
we wish to gratefully acknowledge input from the following:

University of Manitoba, Canadian Wheat Board, Bank of Canada, Strategic Policy Branch and Market and Industry Services Branch (AAFC)



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CHICKPEAS: SITUATION AND OUTLOOK

In Canada, commercial chickpea production started in the mid-1990s and grew rapidly until reaching its peak of 455,000 tonnes (t) in 2001-2002. For the next three years production declined, but started recovering in 2005-2006. Canadian exports followed production trends and Canada became a major exporter of chickpeas, placing among the top five in the world. The value of Canadian chickpea exports declined from a high of \$83 million (M) in 2001 to \$37M in 2005. For 2006-2007, production and exports are expected to increase from 2005-2006, and prices are forecast to decrease for the kabuli type and increase for the desi type. This issue of the *Bi-weekly Bulletin* examines the situation and outlook for chickpeas.

WORLD

Production

During the past 10 years, although world production has been variable, ranging from a low of 6.76 million tonnes (Mt) in 2000-2001 to a high of 9.56 Mt in 1998-1999, there has not been a downward or an upward trend. India accounted for 60-70% of world production during this period.

The two commercial types of chickpeas produced are desi and kabuli. Countries in the Indian sub-continent and Australia produced mainly the desi type, Canada produces both the kabuli and desi types, and the remaining countries produced mainly the kabuli type. On average, world production consisted of about 75% desi type and 25% kabuli type. Production of the kabuli type is more dispersed and therefore less variable than for the desi type.

Trade

World exports during the past 10 years were variable, but with no downward or upward trend. Exports ranged from a low of 514,000 t in calendar year 1999 to a high of 998,000 t in 2001, depending mainly on domestic

production volumes in India and other countries which both produce and import chickpeas. In 2004, the latest year for which complete world trade statistics are

available, exports were 682,000 t. During the past 10 years, India was the largest importer of chickpeas, but imports were extremely variable, depending on the

volume of production in India and price. India and surrounding countries import mainly the desi type, while countries in North and South America, Europe, the Middle East and Africa import mainly the kabuli type.

WORLD: CHICKPEA SUPPLY AND DISPOSITION

	2002 -2003	2003 -2004	2004 -2005	2005 -2006p	2006 -2007f
Harvested Area (kha)	9,900	10,925	10,545	10,710	10,800
Average Yields (t/ha)	0.72	0.80	0.79	0.82	0.80
.....thousand tonnes.....					
Carry-in Stocks (e)	400	100	400	300	500
Production:					
India	4,240	5,720	5,470	5,650	5,700
Turkey	650	600	620	610	610
Pakistan	362	675	611	868	400
Australia	139	186	123	138	304
Iran	300	310	310	310	280
Mexico	235	240	240	240	240
Myanmar	212	228	230	230	230
Canada	156	68	51	104	163
Ethiopia	187	114	136	135	135
Iraq	97	104	100	95	100
United States	38	20	27	49	67
Syria	89	87	45	55	55
Spain	70	51	57	18	40
Morocco	51	43	42	42	40
Other	259	275	271	288	286
Total Production	7,085	8,721	8,333	8,832	8,650
Total Production - Kabuli (e)	2,103	1,885	1,871	1,914	2,005
Total Production - Desi (e)	4,982	6,866	6,462	6,918	6,645
Total Supply	7,485	8,821	8,733	9,132	9,150
Total Use (e)	7,385	8,421	8,433	8,632	8,650
Carry-out Stocks (e)	100	400	300	500	500
Stocks-to-use ratio	1%	5%	4%	6%	6%

e: estimate, AAFC, September 2006; p: preliminary

f: forecast: AAFC and Pulse Australia, September 2006

Source: FAO, India Department of Agriculture, ABARE, Pulse Australia, USDA and Statistics Canada

CANADA

Production

Chickpea production at the commercial level in Canada started in 1995-1996 at about 1,000 t, but increased rapidly during the next six years to 455,000 t in 2001-2002. Production fell sharply in 2002-2003 due to lower seeded area and wet harvest conditions. Seeded area and production fell further in 2003-2004 and 2004-2005. The decreases in seeded area were due to the difficulty and high cost of controlling ascochyta blight, yield and quality losses during wet harvests, and price decreases. Production recovered in 2005-2006 as higher prices for the kabuli type encouraged additional seeding.

Saskatchewan accounted for at least 80% of Canadian production and Alberta for the balance. Chickpeas have contributed to the diversification of crop production in these provinces and are valuable in crop rotations which improve soil tilth and fertility. The production of chickpeas has also contributed to the expansion of the pulse crops handling, marketing and processing industry, which increased employment opportunities in rural areas.

Kabuli chickpeas, also known as garbanzo beans, have a larger, cream-coloured seed with a thin seed coat. The desi type has a smaller, darker coloured seed with a thick seed coat. Included in kabuli chickpea production are the large kabuli type with the seed size mostly 8-9 millimetres (mm) and a seed weight of about 410-490 grams/1000 seed, and the small kabuli type, which have a more uniform seed size of about 7 mm and a seed weight of about 265 grams/1000 seed. Yields of the desi and small kabuli types are about 20% higher than of the large kabuli type.

There are two serious limitations for chickpea production in Canada, the long growing season requirement for current varieties and the high risk of the extremely aggressive disease, ascochyta blight. Chickpeas have an indeterminate growth habit and will continue to flower while growing conditions remain favourable for vegetative growth. Thus, moisture or nitrogen stress is required to encourage seed set and hasten maturity. The ideal growing conditions are moderate precipitation and normal to above normal temperatures from seeding to late July and then drought for the maturing and harvest periods. Because of the growth habit, kabuli chickpeas are best adapted to the Brown soil zone and desi chickpeas to the Dark Brown and Brown soil zones. Both soil zones are located in south-western Saskatchewan and south-eastern Alberta. Chickpeas are relatively drought tolerant due to the long tap root. They are not well adapted to high moisture areas, saline soils, soils which are slow to warm in the spring and wet or waterlogged soils. Chickpea production works well in rotation with cereal grains such as spring or

durum wheat. Nitrogen fertilizer is usually not required since chickpeas possess the ability to fix nitrogen from the air in nodules on the roots where it is used for plant growth. To maximize the nitrogen fixation ability, chickpea seed should be inoculated with the chickpea strain of nitrogen-fixing inoculants.

The stage of crop development should be closely monitored nearing harvest, as weathered seed and dark seed discolouration (green, brown, black) makes the seed less desirable to processors and consumers. Kabuli chickpea colour is especially important because buyers prefer

a yellowish-cream colour. Early fall frost can result in green discolouration of immature kabuli chickpea seed, which will reduce the value of the crop. Other important factors affecting visual quality are levels of admixture, seed size and seed uniformity. The use of conveyors instead of augers when handling chickpeas will reduce mechanical damage. The Canadian chickpea harvest generally occurs during the period from late-August to early October.

Marketing

All of the chickpeas produced in Canada are sold on the open market to dealers, mainly in Saskatchewan, who buy, clean and ship chickpeas to domestic and export consumers. There is also some dehulling and splitting of desi chickpeas in Saskatchewan. Some chickpeas are grown, under production contracts, which guarantee a price for part of the production, but most are sold on the spot market. Chickpeas are shipped mainly bagged in containers, although some are also shipped bulk in containers or bulk inside the hold of ships.

Domestic Use

Domestic use consists of food, feed, seed, dockage and waste. Only small volumes of low quality chickpeas are used for livestock feed, however nutritional analysis indicates that they make an excellent feed for hogs, cattle and poultry.

Exports

Canadian chickpea exports had been increasing, in line with the increase in production, and Canada became the world's third largest exporter in 2002. For the next three years, exports decreased as production fell, and Canada became the fourth or fifth largest exporter in the world, but with the recovery in production, Canada could once again become the third largest exporter. The main markets by region, with the leading countries in brackets, are: Asia (India, Pakistan and Bangladesh), Europe (Spain, Italy, Portugal, United Kingdom and Belgium), the Middle East (United Arab Emirates, Jordan and Egypt), Africa (Algeria), South America (Colombia and Brazil), Central America and the Caribbean (Trinidad and Tobago),

CANADA: CHICKPEA SUPPLY AND DISPOSITION

<i>crop year</i> <i>August-July</i>	2002 -2003	2003 -2004	2004 -2005	2005 -2006p	2006 -2007f
Seeded Area (kha)	221	63	47	79	144
Harvested Area (kha)	154	63	39	73	142
Yield (t/ha)	1.01	1.08	1.31	1.42	1.15
.....thousand tonnes.....					
Carry-in stocks	180	80	25	5	10
Production:					
Large Kabuli	55	22	23	47	69
Small Kabuli	31	15	17	45	73
Desi	<u>70</u>	<u>31</u>	<u>11</u>	<u>12</u>	<u>21</u>
Total Production	156	68	51	104	163
Imports	9	2	4	8	5
Total Supply	345	150	80	117	178
Exports:					
Asia	71	34	16	31	55
Europe	10	15	12	14	16
Middle East	10	3	2	9	14
South America	6	7	8	7	9
Africa	3	5	3	3	8
United States	4	5	5	3	3
Central America and the Caribbean	<u>1</u>	<u>5</u>	<u>1</u>	<u>3</u>	<u>5</u>
Total Exports	105	74	47	70	110
Total Domestic Use	160	51	28	37	43
Total Use	265	125	75	107	153
Carry-out Stocks	80	25	5	10	25
Stocks-to-use ratio	30%	20%	7%	9%	16%
Seeded Area (kac)	546	156	116	195	356
Harvested Area (kac)	381	156	96	180	351
Yield (lb./ac.)	904	963	1,167	1,271	1,026
Average producer price*					
Large Kabuli \$/t	518	507	650	661	573
¢/lb	23.50	23.00	29.50	30.00	26.00
Small Kabuli \$/t	353	309	364	452	419
¢/lb	16.00	14.00	16.50	20.50	19.00
Desi \$/t	342	231	231	265	353
¢/lb	15.50	10.50	10.50	12.00	16.00

* Saskatchewan, No.1 CW grade

p: preliminary

f: forecast, Agriculture and Agri-Food Canada, September 2006

Source: Statistics Canada and AAFC

and the United States. Exports of the desi type are mainly to Asia, while exports of the kabuli type are to all regions of the world.

Prices

Canadian prices are largely determined in the international market because Canada exports most of its production. Although prices of the large kabuli type are higher than for the desi type, they are also more volatile. Prices of the large kabuli type increase as the size of the seed increases from 7 mm, to 8 mm, to 9 mm and to 10 mm. The producer receives a weighted average price for kabuli chickpeas based on the percentage of various sized seed. The price of the small kabuli type is generally higher than for the desi type, but lower than the weighted average large kabuli type price. Since there is no futures market for chickpeas, prices are negotiated directly between producers and dealers based on supply and demand factors for each type of chickpea.

Organizations

The **Canadian Grain Commission (CGC)** administers quality standards for chickpeas. The grades are No. 1, 2 and 3 Canada Western (CW) Kabuli, and No. 1, 2 and 3 CW Desi. Chickpeas which do not meet the listed grade standards are graded Sample.

The major quality concerns in chickpea grading are damage due to heating and peeling, split or broken seed, seed discolouration, as well as foreign material. For further information, or to access the Official Grain Grading Guide, please visit the CGC website: (www.grainscanada.gc.ca)

The **Canadian Special Crops Association (CSCA - www.specialcrops.mb.ca)** establishes trade rules and serves as a forum for exporters, dealers and brokers involved in the industry of trading Canada's pulse and special crops, including chickpeas. The website includes a section where buyers can submit a request for prices.

Pulse Canada (www.pulsecanada.com) is an industry organization, with the CSCA and provincial pulse growers' organizations as members. It is involved in market development, market access, policy issues and coordination of scientific research. The website contains information on pulse crops, markets, and health and nutrition.

Pulse Innovation Project (PIP)

PIP is managed by Pulse Canada and funded mainly by a \$3.2M, over three years

starting in 2005, contribution from Agriculture and Agri-Food Canada (AAFC) under the Science and Innovation pillar of the Agricultural Policy Framework. The goal of the PIP is to stimulate innovation in product development by understanding industry needs and targeting research that will boost the incorporation of pulses, including chickpeas, into food and industrial products. It will support the development and commercialization of products by working with food processors and ingredient manufacturers to ensure that the end results are foods that will be found on grocery store shelves, targeting products that are economic, convenient and enhance nutrition and health. In addition, PIP will explore and support industrial avenues for pulses to ensure the maximum value added opportunities for producers.

In August 2006, it was announced that Pulse Canada was allocated an additional \$525,800 from AAFC in support of their international strategy until March 2008. Pulse Canada will focus its strategy on increasing demand for pulses in new or emerging markets within the more than 160 countries that have purchased Canadian pulses in the last four years. It will also seek to increase demand by promoting the health benefits of pulses in international markets.

USE

More than 90% of chickpeas are consumed in the countries where they are produced. Chickpeas are used almost exclusively for human consumption. The desi type seed must be dehulled and is used whole or split or milled. In the Indian sub-continent, the desi chickpeas are used whole, dehulled and split to produce dhal, or ground into fine flour called *besan*. *Besan* is used in many ways for cooking, including mixed with wheat flour to make roti or chapatti, and for making sweets and snacks. Kabuli chickpeas are substituted for desi chickpeas if the price is competitive. In addition, yellow peas are used as a substitute for chickpeas for the lowest income consumers if the price of yellow peas is lower. In the Middle East, consumption is based on a popular dish known as "hummus" which is produced from mashed chickpeas mixed with oil and spices. The large kabuli type is used mainly in salad bars and vegetable mixes. Chickpeas are also used as a vegetable and in preparing a wide variety of snack foods, soups, sweets, and condiments. Smaller size kabuli chickpeas are also milled for flour.

Healthy Diet

Pulses, including chickpeas are increasingly being used in health-conscious diets to promote general well-being and reduce the risk of illness. They are low in fat, low in sodium, cholesterol free, high in protein, and are an excellent source of both soluble and insoluble fibre, complex carbohydrates, and vitamins and minerals, especially B vitamins, potassium and phosphorus.

Since chickpeas are low in fat, low in sodium and are cholesterol free, they are an excellent heart healthy food that may be beneficial to the prevention of cardiovascular disease. Chickpeas are an inexpensive, high quality source of protein. Studies have shown that whole pulses (including chickpeas) have demonstrated cholesterol and lipid lowering effects in humans.

Studies have reported the beneficial effects of soluble dietary fibre on cardiovascular disease in humans, especially in lowering both total serum and LDL-cholesterol levels. In addition, clinical research has shown soluble fibre to be beneficial in the management of type-2 diabetes. Insoluble dietary fibre consumption can be beneficial to a healthy colon and has been associated with reducing the risk of colon cancer. Diets high in fibre have demonstrated beneficial effects on weight loss because they deliver more bulk and less energy.

Chickpeas are an excellent source of the B vitamin *folate* which is an essential nutrient. In addition, folate consumption during pregnancy has been shown to reduce the risk of neural tube defects.

Flour made from chickpeas is gluten free and is a very nutritious option for people with celiac disease.

OUTLOOK

World: 2006-2007

World production is forecast to decrease by 2% from 2005-2006 to 8.65 Mt, as an increase in production for the kabuli type is more than offset by a decrease for the desi type. Total supply is expected to remain relatively stable at 9.15 Mt because of higher carry-in stocks. The world production forecast for 2006-2007 is preliminary as seeding in India does not occur until October and November, the Australian harvest occurs in November and December and information about production in the Middle East and Mexico is limited.

India: 2006-2007

Chickpeas in India are grown as a winter crop in the central and northern parts of the country. Nearly all of the chickpeas produced in India are the desi type. Chickpeas are generally seeded in October and November and harvested mainly in March and April. Most of the rainfall in the chickpea growing areas occurs during the summer monsoon season, which normally lasts from early June to early October in the

central parts of the country and mid-June to late September in the north-western parts. The monsoon rainfall provides moisture for the summer crops and a moisture reserve for winter crops, such as chickpeas. Chickpeas are generally grown without irrigation. In 2006, the monsoon rainfall to date has been normal in most chickpea growing areas. The chickpea crop also needs winter rains, but winter rainfall is much lower and less reliable than during the

chickpeas and decrease for large and small kabuli chickpeas in response to the respective supply situations.

Canada: longer term

Work is underway to (1) develop varieties which are more resistant to ascochyta blight and mature earlier, making them more suitable for Canadian growing conditions, (2) provide additional weed control options for chickpeas, (3) develop larger kabuli chickpeas and desi chickpeas with light tan or tan seed colour, which is expected to increase market opportunities for Canadian chickpeas, and (4) increase demand for Canadian chickpeas through the Pulse Innovation Project. With the improvements in varieties, weed control and increased market demand, and with a growing core of producers who are experienced in growing chickpeas, the seeded area is expected to increase significantly. However, any expansion will also depend on the prices which producers will be able to obtain.

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WORLD: CHICKPEA EXPORTS

calendar year	2001	2002	2003	2004	2005
.....thousand tonnes.....					
Australia	267	94	144	149	187
Turkey	154	105	190	133	124
Iran	124	140	87	85	n/a
Mexico	207	143	141	83	79
Canada	149	125	88	68	59
Syria	1	1	8	29	n/a
Tanzania	9	21	27	25	n/a
Pakistan	5	3	8	18	n/a
Morocco	2	3	12	13	n/a
United States	29	23	15	12	21
India	2	2	3	12	29
Russia	6	10	15	9	14
Other	43	51	43	46	n/a
Total	998	721	781	682	n/a

WORLD: CHICKPEA IMPORTS

calendar year	2001	2002	2003	2004	2005
.....thousand tonnes.....					
India	517	218	259	133	258
Bangladesh	38	57	84	105	n/a
Pakistan	106	182	123	69	n/a
Spain	69	58	54	58	56
Algeria	70	34	51	49	47
Italy	23	22	21	28	22
Jordan	22	21	23	24	n/a
Sri Lanka	13	17	20	23	n/a
United Arab Emirates	32	44	31	21	n/a
Tunisia	20	19	19	20	n/a
United Kingdom	16	18	18	20	24
Saudi Arabia	25	23	23	17	n/a
United States	11	12	10	14	10
Iraq	1	1	63	12	n/a
Portugal	12	12	12	11	12
France	13	11	11	9	9
Lebanon	17	10	9	9	n/a
Colombia	10	10	12	9	10
Other	103	91	79	101	n/a
Total	1,118	860	922	732	n/a

The difference between imports and exports is attributed to the timing of delivery and international classification differences.

n/a: not available

Source: FAO, Statistics Canada, USDA, Global Trade Atlas – September 2006

summer. Although there is a great deal of uncertainty about the 2006-2007 chickpea crop in India, production is expected to increase because high prices are expected to encourage additional seeding.

India is expected to be a strong importer of chickpeas at least until the size and condition of the 2006-2007 crop is known. Adding to the demand is the elimination of import tariffs by the government of India until March 31, 2007. The government of India also banned exports until March 31, 2006 which provides Canadian exporters additional market opportunities in other countries.

Canada: 2006-2007

Area seeded in Canada increased by 82% because of attractive prices for the kabuli type, high yields in 2005-2006 and good movement to markets. Production is expected to increase by 57% to 163,000 t, with increases for all types, large and small kabuli and desi. Average yields are expected to be slightly below trend, and sharply lower than in 2005-2006. Crop development and harvest progress have been ahead of normal and quality is expected to be normal. Supply is expected to increase by 52% to 178,000 t. Exports are forecast to increase due to the higher supply and strong demand. Carry-out stocks are forecast to increase, with a stocks-to-use ratio of 16%. Prices are forecast to increase for desi

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CANADA: GRAINS AND OILSEEDS OUTLOOK

September 1st, 2006

For 2006-07, the production of grains and oilseeds in Canada is estimated to decrease to 61.7 million tonnes (Mt), from 66.7 Mt in 2005-06, vs. the 10-year average of 60 Mt, based on Statistics Canada's (STC) "July 31 Estimate of Production of Principal Field Crops". On average, yields are estimated to be about 9% below 2005-06. Harvest progress is ahead of 2005-06 and ahead of normal. Quality of all crops is expected to be above average, with a better than normal grade distribution. In western Canada, production is estimated to decrease by 10% from 2005-06, to 45.6 Mt as lower yields more-than offset higher harvested area. In eastern Canada, production is estimated to rise by 1% to 16.1 Mt due to higher yields.

Total domestic supply of grains and oilseeds in Canada is forecast to decrease by 2% from 2005-06, as lower production more than offsets the higher carry-in stocks. Exports and total domestic use are forecast to increase. Carry-out stocks are expected to decrease by about 25% to near-normal levels. Prices in Canada for all crops will continue to be pressured by the strong Canadian dollar but are expected to be higher than in 2005-06, except for flaxseed and soybeans. The major factors to watch are: US and Canadian crop development and harvest conditions, the biofuel market, ocean freight rates and exchange rates.

DURUM

Production is forecast to fall by 42% due to lower area and yields. However, supply is expected to decrease by only 20% due to the record 3.3 Mt carry-in stocks. Exports are forecast to decrease due to lower demand from North Africa and the EU, which will be partly offset by higher imports from the US. Carry-out stocks are forecast to fall but remain slightly above the 10-year average. The Canadian Wheat Board (CWB) Pool Return Outlook (PRO) is rising from earlier expectations due to the declining production prospects for North America, and is now 4% higher than 2005-06. The discount of No.1 CWAD 11.5 to No.1 CWSR 11.5 is projected at a record \$12/t.

WHEAT (excluding durum)

For 2006-07, production is forecast to increase by 8%, as increased area harvested more-than offsets the lower yields. Supply is expected to rise by 10%, supported by higher carry-in stocks. Exports are forecast to increase by 30%, due to increased supplies of good quality wheat in western Canada, record Ontario production of 2.7 Mt and reduced competition from other exporters. Industrial use is expected to rise due to increased ethanol production but feed use is forecast to decrease because of the improved quality of the wheat crop. Carry-out stocks are expected to decline by 11%. The CWB PRO for high protein Nos. 1 and 2 CWSR was lowered from the previous month, due to falling protein premiums resulting from the good quality of the US and Canadian crops, but returns are expected to be well above 2005-06 for all grades.

BARLEY

Production is forecast to decrease by 18%, due to lower area and yields. Supply is expected to fall by 15%. Exports are forecast to decrease by 14%, as lower feed barley exports are only partially offset by higher exports of malting barley. Despite lower exports and domestic feed use, carry-out stocks are forecast to fall significantly. The average off-Board

feed barley price (No.1 CW, in-store Lethbridge) is forecast to increase by \$20/t from 2005-06. The CWB PRO for No. 1 CW feed barley for Pool A in 2006-07 is \$129/t, vs. \$127/t for Pool B in 2005-06. The CWB PRO for SS2R malting barley is \$179/t vs. \$171/t for 2005-06, due to lower expected exportable supply in Australia and strong import demand from the US.

CORN

Production is forecast to decrease by 5% due to lower yields. Imports are forecast to increase significantly from 2005-06, as a result of lower domestic supply, and strong demand for animal feed and ethanol. Carry-out stocks are forecast to drop by 25%. The average price at Chatham elevator is forecast to increase by about 20% due to higher US corn prices.

OATS

Production is forecast to increase by 10% due to higher harvested area. Supply is expected to increase, as higher production more than offsets lower carry-in stocks. Exports are forecast to rise slightly from 2005-06, as a result of strong US import demand. Feed use is expected to rise by 9%. Carry-out stocks are projected to be the same as 2005-06. The average Chicago Board of Trade oat nearby futures price is forecast to remain unchanged from 2005-06, narrowing the US price premium for oats over corn.

CANOLA

Production is forecast to decrease by 17% to 8.0 Mt, as yields are pressured by hot and dry weather. Supply is expected to decrease by 10%, but remain historically high, due to burdensome carry-in stocks. Exports are forecast to decline slightly from 2005-06 record of 5.4 Mt as a result of lower supplies. Domestic crush is forecast to rise slightly following the expansion of some processing plants, with many of the recently announced plants not expected to begin operations until 2007-08. Carry-out stocks are forecast to fall sharply, but will

remain significantly above the 10 year average. Prices are expected to rise from the low of 2005-06, but remain under pressure from low US soybean prices.

FLAXSEED (excluding solin)

Production is forecast to decrease by 10% due to lower yields. However, supplies are expected to rise sharply because of burdensome carry-in stocks caused by the high production in 2005-06. Although exports and total domestic use are forecast to rise, carry-out stocks are expected to increase to a burdensome 0.78 Mt vs. the 10-year average of 0.2 Mt. As a result, prices are forecast to decline.

SOYBEANS

Production is forecast to be similar to 2005-06 as higher area is offset by lower yields. Supply is forecast to increase, as higher carry-in stocks more-than offset lower imports. Exports are forecast to increase to a record high on strength of market development efforts for edible soybeans. Domestic crush is expected to increase slightly. Prices are expected to decline under pressure from higher carry-out stocks and lower US soybean prices.

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CANADA: GRAINS AND OILSEEDS SUPPLY AND DISPOSITION

September 1st, 2006

Grain and Crop Year (a)	Area Seeded thousand ha	Area Harvested thousand ha	Yield t/ha	Production	Imports (b)	Total Supply thousand metric tonnes	Exports (c)	Food & Industrial Use (e)	Feed, Waste & Dockage	Total Domestic Use (d)	Carry-out Stocks	Average Price (f) \$/t
Durum												
2004-2005	2,230	2,141	2.32	4,962	1	6,752	3,218	254	536	1,013	2,521	201
2005-2006P	2,341	2,297	2.58	5,915	1	8,436	4,100	255	621	1,036	3,300	181*
2006-2007F	1,724	1,706	2.00	3,418	1	6,719	3,800	260	469	919	2,000	189**
Wheat Except Durum												
2004-2005	8,169	7,722	2.71	20,898	13	25,203	11,593	2,845	4,521	8,138	5,471	190
2005-2006P	7,753	7,530	2.77	20,860	20	26,352	11,500	2,870	4,585	8,352	6,500	183*
2006-2007F	8,953	8,825	2.55	22,507	19	29,026	15,000	3,100	4,280	8,226	5,800	201**
All Wheat												
2004-2005	10,399	9,862	2.62	25,860	14	31,955	14,812	3,099	5,056	9,151	7,992	
2005-2006P	10,094	9,826	2.72	26,775	21	34,788	15,600	3,125	5,206	9,388	9,800	
2006-2007F	10,677	10,531	2.46	25,925	20	35,745	18,800	3,360	4,749	9,145	7,800	
Barley												
2004-2005	4,678	4,050	3.26	13,186	83	15,371	1,863	258	9,358	10,019	3,489	112
2005-2006P	4,440	3,889	3.21	12,481	44	16,014	2,500	240	9,459	10,114	3,400	110
2006-2007F	3,868	3,435	2.99	10,287	30	13,717	2,150	290	9,062	9,767	1,800	120-140
Corn												
2004-2005	1,185	1,072	8.24	8,837	2,419	12,399	229	2,395	7,961	10,368	1,802	100
2005-2006P	1,124	1,096	8.63	9,461	1,800	13,062	275	2,600	8,172	10,787	2,000	95-100
2006-2007F	1,132	1,110	8.07	8,960	2,500	13,460	200	3,300	8,445	11,760	1,500	110-130
Oats												
2004-2005	1,995	1,315	2.80	3,683	26	4,497	1,675	118	1,560	1,834	988	131
2005-2006P	1,853	1,326	2.59	3,432	19	4,439	1,700	140	1,529	1,839	900	144
2006-2007F	2,002	1,521	2.48	3,776	10	4,686	1,800	140	1,671	1,986	900	135-155
Rye												
2004-2005	284	165	2.53	418	1	487	122	48	155	220	145	68
2005-2006P	226	148	2.42	359	1	505	123	48	157	222	160	81
2006-2007F	149	138	2.29	316	1	477	110	48	162	227	140	80-100
Mixed Grains												
2004-2005	220	111	2.87	318	0	318	0	0	318	318	0	
2005-2006P	209	109	2.78	303	0	303	0	0	303	303	0	
2006-2007F	232	113	2.80	316	0	316	0	0	316	316	0	
Total Coarse Grains												
2004-2005	8,362	6,713	3.94	26,442	2,528	33,071	3,889	2,819	19,352	22,759	6,424	
2005-2006P	7,852	6,568	3.96	26,036	1,864	34,324	4,598	3,028	19,621	23,266	6,460	
2006-2007F	7,383	6,317	3.74	23,655	2,541	32,656	4,260	3,778	19,656	24,056	4,340	
Canola												
2004-2005	5,319	4,938	1.57	7,728	108	8,444	3,412	3,031	328	3,403	1,629	309
2005-2006P	5,491	5,283	1.83	9,660	125	11,415	5,350	3,423	447	3,915	2,150	278
2006-2007F	5,323	5,239	1.52	7,977	150	10,277	5,000	3,450	482	3,977	1,300	285-315
Flaxseed												
2004-2005	728	528	0.98	517	39	648	468	n/a	n/a	151	30	n/a
2005-2006P	842	803	1.35	1,082	40	1,152	450	n/a	n/a	177	525	276
2006-2007F	838	833	1.17	978	20	1,523	550	n/a	n/a	198	775	240-280
Soybeans												
2004-2005	1,229	1,178	2.59	3,048	393	3,581	1,122	1,610	457	2,190	270	248
2005-2006P	1,176	1,169	2.70	3,161	300	3,731	1,250	1,458	461	2,039	442	215-225
2006-2007F	1,213	1,211	2.61	3,163	250	3,856	1,350	1,550	356	2,006	500	190-230
Total Oilseeds												
2004-2005	7,277	6,643	1.70	11,293	540	12,674	5,002	4,641	904	5,743	1,929	
2005-2006P	7,510	7,255	1.92	13,904	465	16,298	7,050	4,880	908	6,130	3,118	
2006-2007F	7,373	7,283	1.66	12,118	420	15,656	6,900	5,000	838	6,181	2,575	
Total Grains And Oilseeds												
2004-2005	26,038	23,219	2.74	63,596	3,082	77,700	23,702	10,559	25,312	37,653	16,345	
2005-2006P	25,456	23,650	2.82	66,715	2,350	85,410	27,248	11,033	25,735	38,784	19,378	
2006-2007F	25,433	24,131	2.56	61,698	2,981	84,057	29,960	12,138	25,243	39,382	14,715	

(a) Crop year is August-July except corn and soybeans which are September-August.

(b) Excludes imports of products. (c) Includes exports of products for wheat, oats, barley, and rye. Excludes exports of oilseed products.

(d) Total Domestic Use = Food and Industrial Use + Feed Waste & Dockage + Seed Use

(e) Soybean food and industrial use is based on data from the Canadian Oilseed Processors Association. Totals excludes flaxseed due to data confidentiality.

(f) Crop year average prices: No.1 CWRS 11.5% protein and No.1 CWAD 11.5% (CWB final price I/S St. Lawrence/Vancouver); Barley (No. 1 feed, WCE, cash, I/S Lethbridge); Corn (No.2 CE, cash, I/S Chatham); Oats (US No. 2 Heavy, CBoT nearby futures); Rye (No.1 CW, I/S Saskatoon); Canola (No. 1 Canada, WCE, cash, I/S Vancouver); Flaxseed (No. 1 CW, WCE, cash, I/S Thunder Bay); Soybeans (No. 2, I/S Chatham).

* Canadian Wheat Board Pool Return Outlook - July 27, 2006

** Canadian Wheat Board Pool Return Outlook - August 24, 2006

P: Preliminary estimates

F: Forecast: Agriculture and Agri-Food Canada - September 1st, 2006

Source: Statistics Canada, Cereals and Oilseeds Review Series, Cat. No. 22-007



CANADA: PULSE AND SPECIAL CROPS OUTLOOK

September 1, 2006

For 2006-07, total Canadian production of pulse and special crops is estimated to decrease by 17%, from 2005-06, to 4.44 million tonnes (Mt), based on Statistics Canada's (STC) July 31 production estimates and AAFC forecasts where STC estimates were not available. STC's survey was carried out from July 28 to August 6 and released on August 25, 2006. STC's yield estimates are near trend levels, but lower than in 2005-06 for most crops, except higher for dry beans and sunflower seed. Crop abandonment is estimated to be lower than normal. Harvest progress is ahead of 2005-06 and ahead of normal, with most of the dry peas, lentils and mustard seed already combined. Harvest is also underway for chickpeas, canary seed and dry beans. The buckwheat and sunflower seed harvests are expected to start in mid and late September, respectively. Quality is expected to be normal, assuming generally dry conditions during the remainder of the harvest period. The risk of frost damage is generally low for unharvested fields due to the advanced stage of development.

Total supply is expected to decrease by 12% to 5.89 Mt, as higher carry-in stocks offset some of the decrease in production. Exports, domestic use and carry-out stocks are forecast to decrease because of the lower supply. Average prices, over all types, grades and markets, are forecast to increase for dry peas, lentils, mustard seed, canary seed and sunflower seed, decrease for dry beans and chickpeas, and be the same for buckwheat. The stronger Canadian dollar, compared to the US dollar, is expected to have the largest impact on dry bean and sunflower seed prices, as Canadian prices for these crops are directly related to US prices. The main factors to watch are Canadian weather conditions, especially precipitation, during the remainder of the harvest period. Other factors to watch are the exchange rates of the Canadian dollar against the US dollar and other currencies, ocean shipping rates and growing and harvest conditions in the major producing regions, especially the United States, Australia, India and Mexico.

DRY PEAS

For 2006-07, production and supply are estimated to decrease, as lower yields more than offset the 4% increase in seeded area. Production is expected to decrease for yellow, green and other types. World supply is forecast to decrease by 5% to 11.45 Mt because of lower production and lower carry-in stocks. Canadian exports are forecast to decrease because of the lower Canadian supply. Carry-out stocks are forecast to decrease, with a stocks-to-use ratio (s/u) of 7%. The average price, over all types, grades and markets, is expected to rise from 2005-06 due to the lower supply.

LENTILS

For 2006-07, production and supply are estimated to decrease due to a 34% lower seeded area and lower yields. Production is expected to decrease sharply for large, medium and small green lentils, but increase for red lentils. Carry-in stocks are estimated to be high for green lentils, but low for red lentils. World supply is forecast to remain stable at 4.53 Mt. Canadian exports are expected to increase because of a higher supply of red lentils. Carry-out stocks are forecast to decrease, with a s/u of 43%. The average price is forecast to increase for green lentils, as the supply of green lentils decreases, but decrease for red lentils, as the supply of red lentils increases. Over all types and grades, the average price is forecast to increase.

DRY BEANS

For 2006-07, production and supply are estimated to increase, as a 13% lower seeded area is more than offset by lower abandonment and higher yields. Production is expected to increase for white pea, Great Northern, pinto and black beans, decrease for light and dark red kidney and cranberry beans, and remain stable for pink

and small red beans. In the US, production is expected to fall by 17% to 0.99 Mt, while supply decreases by only 11% to 1.185 Mt due to higher carry-in stocks. Canadian exports are forecast to increase due to the higher supply and strong demand. Carry-out stocks are expected to increase, with a s/u of 10%. The average price, over all classes and grades, is forecast to decrease because of the higher Canadian supply, increased share of lower priced classes of beans in total production, and the stronger Canadian dollar.

CHICKPEAS

For 2006-07, production and supply are estimated to increase, as an 82% higher seeded area more than offsets lower yields. Production is expected to increase for all types, large kabuli, small kabuli and desi. World supply is expected to remain stable at 9.15 Mt, as an increase for the kabuli type is offset by a decrease for the desi type. Although Canadian exports are forecast to increase because of the higher supply, carry-out stocks are expected to rise, with a s/u of 16%. The average price, over all types and grades, is forecast to fall due to the higher world supply of the kabuli type, which accounts for about 87% of Canadian production, although the price of the desi type is forecast to increase.

MUSTARD SEED

For 2006-07, production and supply are estimated to decrease because of a 34% lower seeded area and lower yields. Production is expected to decrease for all types, yellow, brown and oriental. A significant portion of the carry-in stocks is estimated to be low quality seed. Exports are expected to rise due to higher demand and carry-out stocks are forecast to decrease sharply, with a s/u of 34%. The average price, over all types and grades, is

expected to increase due to the lower supply.

CANARY SEED

For 2006-07, production and supply are estimated to decrease due to a 34% lower seeded area and lower yields. World supply is forecast to decrease by 19% to 353,000 t. Canadian exports are expected to remain stable, while carry-out stocks decrease sharply, with a s/u of 45%. The average price is forecast to rise because of the lower supply.

SUNFLOWER SEED

For 2006-07, production and supply are estimated to increase as a 13% lower seeded area is more than offset by lower abandonment and higher yields. Production is expected to increase for both types, confectionery and oilseed. US supply is expected to decrease by 28% to 1.38 Mt. Canadian exports are forecast to increase because of the higher supply and strong demand. Carry-out stocks are expected to remain stable, with a s/u of 15%. The average price, over both types, is forecast to increase because of the lower total US and Canadian supply.

BUCKWHEAT

For 2006-07, Canadian production and supply are forecast to increase due to higher seeded area. The average price is expected to be the same as in 2005-06.

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CANADA: PULSE AND SPECIAL CROPS SUPPLY AND DISPOSITION

September 1st, 2006

Grain and Crop Year (a)	Area Seeded thousand ha	Area Harvested thousand ha	Yield t/ha	Production	Imports (b)	Total Supply thousand metric tonnes	Exports (b) metric tonnes	Total Domestic Use (d)	Carry-out Stocks	Average Price (e) \$/t
Dry Peas										
2002-2003	1,297	1,050	1.30	1,365	41	1,681	626	745	310	210
2003-2004	1,303	1,271	1.67	2,124	24	2,458	1,316	937	205	175
2004-2005	1,388	1,345	2.48	3,338	57	3,600	1,853	1,152	595	135
2005-2006p	1,366	1,319	2.35	3,100	80	3,775	2,500	975	300	120
2006-2007f	1,420	1,394	2.00	2,784	100	3,184	2,000	984	200	115-145
Lentils										
2002-2003	601	387	0.91	354	9	494	320	119	55	390
2003-2004	554	536	0.97	520	5	580	367	175	38	420
2004-2005	778	750	1.28	962	10	1,010	451	314	245	310
2005-2006p	884	862	1.48	1,278	8	1,531	650	311	570	230
2006-2007f	587	583	1.34	784	10	1,364	700	254	410	235-265
Dry Beans										
2002-2003	230	219	1.89	414	40	489	298	96	95	445
2003-2004	167	167	2.13	356	31	482	344	83	55	495
2004-2005	163	126	1.75	220	28	303	278	20	5	650
2005-2006p	197	175	1.85	324	37	366	290	46	30	495
2006-2007f	172	172	1.95	336	25	391	310	46	35	470-500
Chickpeas										
2002-2003	221	154	1.01	156	9	345	105	160	80	300
2003-2004	63	63	1.08	68	2	150	74	51	25	330
2004-2005	47	39	1.31	51	4	80	47	28	5	385
2005-2006p	79	73	1.42	104	8	117	70	37	10	485
2006-2007f	144	142	1.15	163	5	178	110	43	25	415-445
Mustard Seed										
2002-2003	289	255	0.60	154	9	196	114	22	60	595
2003-2004	340	328	0.69	226	2	288	121	75	92	390
2004-2005	317	304	1.01	306	1	399	119	86	194	295
2005-2006p	212	206	0.98	201	1	396	135	86	175	265
2006-2007f	140	132	0.89	118	1	294	140	79	75	285-315
Canary Seed										
2002-2003	287	227	0.78	176	0	206	160	26	20	575
2003-2004	251	243	0.93	226	0	246	165	14	67	345
2004-2005	356	318	0.95	301	0	368	163	35	170	230
2005-2006p	190	186	1.22	227	0	397	180	32	185	195
2006-2007f	125	123	1.00	123	0	308	180	33	95	200-230
Sunflower Seed										
2002-2003	100	95	1.65	157	21	200	105	60	35	440
2003-2004	119	115	1.30	150	16	201	96	80	25	405
2004-2005	87	59	0.92	54	35	114	32	64	18	490
2005-2006p	93	75	1.19	89	25	132	45	67	20	345
2006-2007f	81	80	1.48	118	20	158	65	73	20	345-375
Buckwheat										
2002-2003	12	12	1.00	12	1	16	6	7	3	340
2003-2004	9	9	1.11	10	1	14	5	7	2	355
2004-2005	9	7	0.71	5	1	8	4	4	0	355
2005-2006p	7	6	1.33	8	1	9	4	5	0	355
2006-2007f	10	9	1.00	9	1	10	5	5	0	340-370
Total Pulse And Special Crops (c)										
2002-2003	3,036	2,399	1.16	2,788	130	3,627	1,734	1,235	658	
2003-2004	2,805	2,732	1.35	3,680	81	4,419	2,488	1,422	509	
2004-2005	3,145	2,948	1.78	5,237	136	5,882	2,947	1,703	1,232	
2005-2006p	3,028	2,902	1.84	5,331	160	6,723	3,874	1,559	1,290	
2006-2007f	2,679	2,635	1.68	4,435	162	5,887	3,510	1,517	860	

(a) August-July crop year.

(b) Excludes products.

(c) Includes Pulse Crops (dry peas, lentils, dry beans, chick peas) and Special Crops (mustard seed, canary seed, sunflower seed, buckwheat)

(d) Includes food, feed, seed, waste and dockage. Total domestic use is calculated residually.

(e) Producer price, FOB plant. Average over all types, grades and markets.

p: preliminary

f: forecast, Agriculture and Agri-Food Canada, September 1st, 2006

Source: Statistics Canada and industry consultations.

A. SELLING PRICE OF BULK FEED INGREDIENTS AT SELECTED POINTS

September 5, 2006

SELECTED POINT	REFERENCE PERIOD	PRICE BASIS	(1)	WHEAT	OATS	BARLEY	CORN	PRICE BASIS	SOYBEAN MEAL	CANOLA MEAL	MILL-FEEDS	MEAT MEAL	FISH MEAL	ANIMAL FAT	GLUTEN MEAL	GLUTEN FEED	FEED PEAS	DEHY ALFALFA	FEATHER MEAL
Vancouver (4) (7)	September 5, 2006	FOB		155.00	N/A	139.00	147.00		235.00	151.00	117.00		1025.00	520.00					375.00
BC	August 28, 2006			150.00	N/A	139.00	146.00		233.50	146.00	115.00		1050.00	520.00					375.00
Calgary (4)	September 5, 2006	FOB		111.00	N/A	107.00	135.00		227.50				1050.00	430.00					340.00
AB	August 28, 2006			108.00	N/A	106.00	132.00		227.00				1050.00	430.00					340.00
Saskatoon	September 5, 2006	FOB		112.50	145.00	103.00	127.00		233.50	N/A			160.00	N/A			125.00		350.00
SK	August 28, 2006			112.50	145.00	103.00	126.00		231.50	N/A			160.00	N/A			124.00		350.00
Winnipeg	September 5, 2006	FOB		142.50	140.00	112.00	120.00		216.00	N/A			260.00	1087.50					380.00
MB	August 28, 2006			142.00	140.00	111.00	116.00		215.00	N/A			260.00	1087.50					380.00
Thunder Bay	September 5, 2006	In-Store		129.00	N/A	107.00													
ON	August 28, 2006			129.00	N/A	106.00													
Lake Ports	September 5, 2006	On Board					102.28												
USA	August 28, 2006	Vessel					100.33												
Bay Ports	September 5, 2006	In-Store		163.50	200.00	85.00													
ON	August 28, 2006			163.00	200.00	80.00													
Chatham	September 5, 2006	Track					105.10												
ON	August 28, 2006						98.33												
Toronto (5)	September 5, 2006	N/A						FOB											
ON	August 28, 2006																		
Hamilton	September 5, 2006	N/A							206.96	N/A			189.33	385.00	N/A	N/A		285.00	320.00
ON	August 28, 2006								212.19	N/A			182.00	385.00	N/A	N/A		285.00	320.00
Eastern	September 5, 2006	FOB					106.00												
ON	August 28, 2006						108.00												
London	September 5, 2006	FOB																	
ON	August 28, 2006																		
Port Colborne	September 5, 2006	FOB																	
ON	August 28, 2006																		
Cardinal	September 5, 2006	FOB																	
ON	August 28, 2006																		
Montreal	September 5, 2006			167.00	165.00	145.00	125.00		220.88	151.50	75.00		180.00	N/A	N/A	N/A		270.00	360.00
QC	August 28, 2006			167.00	165.00	145.00	125.00	FOB	223.07	153.00	75.00		180.00	N/A	N/A	N/A		270.00	360.00
Trois-Rivières	September 5, 2006	In-Store		169.00		147.50	129.91												
QC	August 28, 2006			172.50		142.60	120.07												
St. Jean QC (2)	September 5, 2006	FOB		143.38	136.75	120.63	122.75		217.80										
St. Hyacinthe QC	August 28, 2006			146.50	136.50	120.90	122.51		224.70										
Quebec	September 5, 2006	In-Store		168.67	N/A	164.15	126.93		225.90	159.93									
QC	August 28, 2006			167.17	N/A	164.56	122.09		228.85	159.97									
Truro	September 5, 2006	Track		204.68	N/A	163.21	151.57		256.51	185.82			251.60	565.00					340.00
NS	August 28, 2006			202.19	N/A	163.21	147.66	FOB	258.09	185.82			241.10	565.00					340.00
Truro	September 5, 2006	Water		N/A	N/A	N/A	N/A												
NS	August 28, 2006	Truck		N/A	N/A	N/A	N/A												
Halifax	September 5, 2006	In-Store		186.75	N/A	N/A	151.70		277.00	230.30	297.50		N/A						
NS	August 28, 2006			185.75	N/A	N/A	152.98		277.00	230.75	297.50		N/A						

Source: Market Analysis Division, Agriculture and Agri-Food Canada; Thunder Bay prices are based on the Winnipeg Commodity Exchange (WCE) market close
 Closing date September 1/2006
 US\$1.00 = CANS 1.1056
 N/A = not available
 Email: dombes@agr.gc.ca

Footnotes: All prices in Canadian dollars per metric tonne based on survey respondents.

Grain grades (unless otherwise specified) are: Western or Eastern Feed Wheat. Feed Oats. No.1 Canada Western or Eastern Barley. No.2 Canada Yellow Corn. No.3 US Yellow Corn. Soybean Meal 48 % Protein. Canola Meal based on minimum standard of 35% Protein. Fish Meal: white fish and/or herring meal. Gluten Meal 60% Protein. Gluten Feed 21% Protein.

(1) Wheat 3CWRS (2) Canadian Corn #3 or #2 (3) US Corn (4) Fish Meal from West Coast 63% Protein (5) Fish Meal 60% Protein (6) Herring Fish Meal (7) Fraser Valley (8) Wheat & Barley (Basis - Cash Price WCE) (9) Oats 3CW

B. CASH PRICES AND REPLACEMENT VALUES

September 5, 2006

PRAIRIE GRAINS

Selected Points	Price Basis		This week September 5, 2006	Last week August 21, 2006	Month ago August 8, 2006	Year Ago September 6, 2005
From: Thunder Bay(WCE) (2)	In-Store	Wheat	128.00	132.00	134.00	107.00
(CBOT)		Oat	183.75	175.25	181.00	142.25
(Lethbridge)		Barley	113.00	110.00	113.00	102.00
To: Bayport, ON (1)	In-store	Wheat	151.61	155.61	157.61	130.61
		Oat	N/A	N/A	N/A	N/A
		Barley	140.39	137.39	140.39	129.39
Montreal, QC (1)	In-store	Wheat	156.03	160.03	162.03	135.03
		Oat	N/A	N/A	N/A	N/A
		Barley	145.31	142.31	145.31	134.31
Moncton, NB	Truck via Halifax	Wheat	178.25	182.25	184.25	157.25
		Oat	N/A	N/A	N/A	N/A
		Barley	169.50	166.50	169.50	158.50
Truro, NS	Truck via Halifax	Wheat	172.22	176.22	178.22	151.22
		Oat	N/A	N/A	N/A	N/A
		Barley	167.00	164.00	167.00	156.00
Halifax, NS (1)	In-store	Wheat	163.28	167.28	169.28	142.28
		Oat	N/A	N/A	N/A	N/A
		Barley	153.30	150.30	153.30	142.30
Stephenville, NL	Track / Truck via Sydney	Wheat	226.63	230.63	232.63	205.63
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A
Melfort, SK		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Bayport, ON		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Montreal, QC		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Moncton, NB		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Truro, NS		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track / Truck via Sydney	Barley	N/A	N/A	N/A	N/A
Stephenville, NL		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A

Selected Points	Price Basis		This week September 5, 2006	Last Week August 21, 2006	Month Ago August 8, 2006	Year Ago September 6, 2005
Corn						
From: US Lake Port	On Board Vessel		102.28	100.11	108.59	94.61
To: Montreal, QC (1)	In-store		121.32	119.15	127.63	113.65
From: Chicago (IL)	Track		98.37	97.06	105.48	101.62
To: Montreal, QC	Track		127.23	125.92	134.34	130.48
From: Chatham, ON	Track		105.10	98.33	104.94	105.65
To: Montreal, QC	Track		128.97	122.20	128.81	129.52

Soymeal 48% Protein

From: Hamilton, ON			206.96	212.19	210.43	274.58
To: Montreal, QC	Track		231.29	236.52	234.76	298.91
Moncton, NB	Track		250.04	255.27	253.51	317.66
Truro, NS	Track		253.26	258.49	256.73	320.88
Stephenville, NL	Track / Truck via Sydney		301.89	307.12	305.36	369.51

- Prices include ONE month of storage and interest charges n/a = not available
- Thunder Bay prices are based on the Winnipeg Commodities Exchange market close (Cash price)

Source: Market Analysis Division, Agriculture and Agri-Food Canada

Contact: André Doumbé: Statistical Clerk (204) 983-0581 Fax: (204) 983-5524 e-mail: doumbea@agr.gc.ca

Footnotes: All prices quoted in Canadian dollars per metric tonne.

Grain grades (unless otherwise specified) are: Canada Western Feed Wheat, Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn.

Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec.

Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable

A. SELLING PRICE OF BULK FEED INGREDIENTS AT SELECTED POINTS

A. SELLING PRICE OF BULK FEED INGREDIENTS AT SELECTED POINTS																	August 21, 2006				
SELECTED POINT	REFERENCE PERIOD	PRICE BASIS	(1) WHEAT	OATS	BARLEY	CORN	PRICE BASIS	SOYBEAN MEAL	CANOLA MEAL	MILL-FEEDS	MEAT MEAL	FISH MEAL	ANIMAL FAT	GLUTEN MEAL	GLUTEN FEED	FEED PEAS	DEHY ALFALFA	FEATHER MEAL			
Vancouver	August 21, 2006	FOB	161.00	N/A	149.00	146.00		236.50	146.00	115.00		1050.00	520.00					375.00			
BC (4) (7)	August 14, 2006		161.00	N/A	149.00	146.00		239.00	146.00	115.00		1050.00	520.00					385.00			
Calgary	August 21, 2006	FOB	108.00	N/A	108.00	130.00		229.50			150.00	1050.00	430.00					350.00			
AB (4)	August 14, 2006		108.00	N/A	108.00	132.00		231.50			150.00	1050.00	430.00					350.00			
Saskatoon	August 21, 2006	FOB	112.50	145.00	103.00	126.00		235.00	N/A		160.00	N/A	430.00			124.00		360.00			
SK (4)	August 14, 2006		112.50	145.00	103.00	124.00		237.00	N/A		160.00	N/A	430.00			119.00		360.00			
Winnipeg	August 21, 2006	FOB	142.50	140.00	112.00	116.00		217.00	N/A		260.00	1087.50	515.00					380.00			
MB (4) (9)	August 14, 2006		142.50	140.00	111.50	114.00		219.50	N/A		260.00	1087.50	515.00					380.00			
Thunder Bay	August 21, 2006	In-Store	135.00	N/A	117.30																
ON (8)	August 14, 2006		133.30	N/A	108.00																
Lake Ports	August 21, 2006	On Board				99.39															
USA (3)	August 14, 2006	Vessel				101.34															
Bay Ports	August 21, 2006	In-Store	163.00	205.00	110.00																
ON	August 14, 2006		162.00	205.00	110.00																
Chatham	August 21, 2006	Track				99.44															
ON	August 14, 2006					99.53															
Toronto	August 21, 2006	N/A					FOB				182.00		385.00	N/A	N/A		285.00	320.00			
ON (5)	August 14, 2006										182.00		385.00	N/A	N/A		285.00	325.00			
Hamilton	August 21, 2006	N/A						211.97	N/A												
ON	August 14, 2006							211.97	N/A												
Eastern	August 21, 2006	FOB				107.00															
ON	August 14, 2006					108.50															
London	August 21, 2006	FOB												340.00	75.00						
ON	August 14, 2006													340.00	75.00						
Port Colborne	August 21, 2006	FOB								38.00				340.00	75.00						
ON	August 14, 2006									45.00				340.00	75.00						
Cardinal	August 21, 2006	FOB												345.00	90.00						
ON	August 14, 2006													345.00	90.00						
Montreal	August 21, 2006		167.00	165.00	145.00	125.00		224.62	158.13	71.67	180.00	850.00	407.00	N/A	N/A		270.00	360.00			
QC (5)	August 14, 2006		167.00	165.00	145.00	125.00	FOB	224.43	158.50	76.67	180.00	850.00	418.50	N/A	N/A		270.00	360.00			
Trois-Rivières	August 21, 2006	In-Store	169.30		142.60	116.43															
QC	August 14, 2006		163.10		147.70	127.85															
St. Jean QC (2)	August 21, 2006	FOB	142.33	136.25	120.90	119.75		226.60													
St. Hyacinthe QC	August 14, 2006		141.78	139.25	121.68	119.00		228.30													
Quebec	August 21, 2006	In-Store	167.10	N/A	162.69	123.52		230.67	160.67												
QC	August 14, 2006		165.37	N/A	161.97	125.02		229.97	160.67												
Truro	August 21, 2006	Track	203.45	N/A	168.60	150.60		258.08	186.92		241.10		554.00					360.00			
NS	August 14, 2006		208.15	N/A	168.60	156.45	FOB	262.11	186.92		241.10		554.00					360.00			
Truro	August 21, 2006	Water	N/A	N/A	N/A	N/A															
NS	August 14, 2006	& Truck	N/A	N/A	N/A	N/A															
Halifax	August 21, 2006	In-Store	181.95	N/A	N/A	151.73		282.00	230.20	297.50		N/A									
NS (6)	August 14, 2006		186.20	N/A	N/A	153.73		281.80	222.85	297.50		N/A									

Source: Market Analysis Division, Agriculture and Agri-Food Canada; Thunder Bay prices are based on the Winnipeg Commodity Exchange (WCE) market close

Closing date August 18/2006

US\$1.00 = CAN\$ 1.1233

N/A = not available

Contact: André Doumbe Statistical Clerk Telephone: (204) 983-0581 Fax: (204) 983-5524 Email: doumbea@agr.gc.ca

Footnotes: All prices in Canadian dollars per metric tonne based on survey respondents

Grain grades (unless otherwise specified) are: Western or Eastern Feed Wheat. Feed Oats. No.1 Canada Western or Eastern Barley. No.2 Canada Yellow Corn. No.3 US Yellow Corn. Soybean Meal 48 % Protein. Canola Meal based on minimum standard of 35% Protein. Fish Meal: white fish and/or herring meal. Gluten Meal 60% Protein. Gluten Feed 21% Protein.

(1) Wheat 3CWRs (2) Canadian Corn #3 or #2 (3) US Corn (4) Fish Meal from West Coast 63% Protein (5) Fish Meal 60% Protein (6) Herring Fish Meal (7) Fraser Valley (8) Wheat & Barley (Basis - Cash Price WCE) (9) Oats 3CW

B. CASH PRICES AND REPLACEMENT VALUES

August 21, 2006

PRAIRIE GRAINS

Selected Points	Price Basis		This week August 21, 2006	Last week August 8, 2006	Month ago July 24, 2006	Year Ago August 22, 2005
From: Thunder Bay(WCE) (2)	In-Store	Wheat	132.00	134.00	134.00	107.00
(CBOT)		Oat	175.25	181.00	189.75	149.50
(Lethbridge)		Barley	110.00	113.00	110.00	104.00
To: Bayport, ON (1)	In-store	Wheat	155.61	157.61	157.61	130.61
		Oat	N/A	N/A	N/A	N/A
		Barley	137.39	140.39	137.39	131.39
Montreal, QC (1)	In-store	Wheat	160.03	162.03	162.03	135.03
		Oat	N/A	N/A	N/A	N/A
		Barley	142.31	145.31	142.31	136.31
Moncton, NB	Truck via Halifax	Wheat	182.25	184.25	184.25	157.25
		Oat	N/A	N/A	N/A	N/A
		Barley	166.50	169.50	166.50	160.50
Truro, NS	Truck via Halifax	Wheat	176.22	178.22	178.22	151.22
		Oat	N/A	N/A	N/A	N/A
		Barley	164.00	167.00	164.00	158.00
Halifax, NS (1)	In-store	Wheat	167.28	169.28	169.28	142.28
		Oat	N/A	N/A	N/A	N/A
		Barley	150.30	153.30	150.30	144.30
Stephenville, NL	Track / Truck via Sydney	Wheat	230.63	232.63	232.63	205.63
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A
Melfort, SK		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Bayport, ON		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Montreal, QC		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Moncton, NB		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Truro, NS		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track / Truck via Sydney	Barley	N/A	N/A	N/A	N/A
Stephenville, NL		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A

Selected Points	Price Basis		This week August 21, 2006	Last Week August 8, 2006	Month Ago July 24, 2006	Year Ago August 22, 2005
Corn						
From: US Lake Port	On Board Vessel		99.39	108.59	108.93	98.09
To: Montreal, QC (1)	In-store		118.43	127.63	127.97	117.13
From: Chicago (IL)	Track		96.29	105.48	107.59	99.04
To: Montreal, QC	Track		125.15	134.34	136.45	127.90
From: Chatham, ON	Track		99.44	104.94	104.21	109.27
To: Montreal, QC	Track		123.31	128.81	128.08	133.14

Soymeal 48% Protein						
From: Hamilton, ON			211.97	210.43	218.81	283.07
To: Montreal, QC	Track		236.30	234.76	243.14	307.40
Moncton, NB	Track		255.05	253.51	261.89	326.15
Truro, NS	Track		258.27	256.73	265.11	329.37
Stephenville, NL	Track / Truck via Sydney		306.90	305.36	313.74	378.00

- Prices include ONE month of storage and interest charges
- Thunder Bay prices are based on the Winnipeg Commodities Exchange market close (Cash price)

n/a = not available

Source: Market Analysis Division, Agriculture and Agri-Food Canada

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Footnotes: All prices quoted in Canadian dollars per metric tonne.

Grain grades (unless otherwise specified) are: Canada Western Feed Wheat, Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn.
Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec.

Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable



Bi-weekly Bulletin

October 23, 2006 Volume 19 Number 14



OATS: SITUATION AND OUTLOOK

Canada is the world's largest exporter of oats and is expected to account for 70-80% of world oat exports in 2006-2007. Oats represents about 6% of the production and exports of grains and oilseeds in Canada. The value of Canadian exports of oats and oat products increased to \$224 million in 2005 from \$192 million in 2004. For 2006-2007, the production of oats in Canada increased by about 10% from 2005-2006. Canadian exports, predominantly to the United States (US) food market, are expected to increase to a record high. The average price of oats is expected to increase from 2005-2006, due to the strong demand for corn in the US related to the biofuel market. This issue of the *Bi-weekly Bulletin* examines the situation and outlook for oats.

Since 2000-2001, the world production of oats has stabilized at around 25 million tonnes (Mt) ending a 40 year decline in output resulting from the decline in on-farm feed usage following the wide-spread mechanization of farming.

World food consumption of oats is increasing slowly as consumers worldwide recognize the benefits of whole grains in health and wellness. Oats have numerous health benefits, as they are a rich source of bran, fibre and contains the complex carbohydrate beta-glucan, which is used in the manufacture of health foods. This food demand is expected to continue growing as countries such as China, a potentially huge market, discover the health benefits of oats.

The European Union (EU)-25 is the world's largest oat producing region followed by Russia, Canada, the US, and Australia. Global oat trade continues to be dominated by US demand, distantly followed by Japan and Mexico. Canada is the largest exporter, followed by the EU-25 (particularly Finland and Sweden), and Australia. Although Russia produces 20% of world production, it is not an important player in the export market as their oats are generally consumed domestically, or are of low quality and therefore not in demand.

SITUATION AND OUTLOOK 2006-2007

World production of oats is estimated by the United States Department of Agriculture (USDA) to increase to 23.9 Mt from 23.5 Mt in 2005-2006. This

compares to 50 Mt in the early 1960s when the demand for oats was significantly higher due to the number of horses which were dependent on oats. Trade is forecast to decrease to 2.1 Mt from 2.2 Mt last year. The United States (US) and Japan are expected to account for 84% and 3%, respectively, of world imports in 2006-2007. Canada and the EU-25 are expected to account for 80% and 11%, respectively, of the export market share. World trade in oats has averaged 2.0 Mt over the last 10 years and, like production, is not expected to increase significantly.

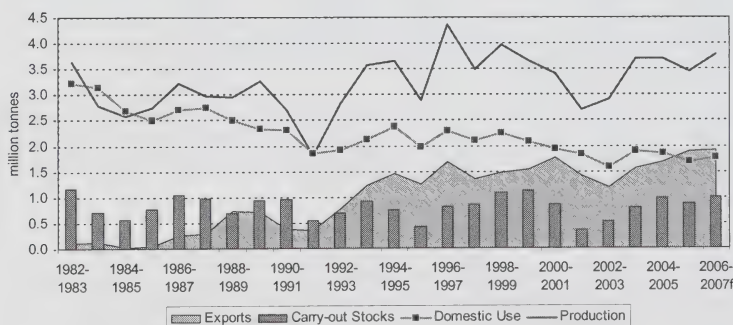
MAJOR IMPORTERS

United States

The US is the world's largest importer of oats and the fourth largest oat producer. The majority of US imports are high quality oats from Canada and the Scandinavian countries, Finland and Sweden, in the EU-25, which mainly service the performance horse feed markets. Also, some of these imports are further processed in the US and then exported as value-added oat groats to Central and South America.

US oat production is estimated to fall to a record low 1.36 Mt for 2006-2007, versus 1.67 Mt produced in 2005-2006. The hot and extremely dry conditions across the US led to very poor quality oats in several of the major production states. US imports for 2006-2007 (October-September) are expected to be the same as 2005-2006 at 1.8 Mt, or about 80% of

CANADA: OATS SUPPLY AND DISPOSITION



f: forecast, AAFIC, October 2006
Source: Statistics Canada

world imports, versus 1.62 Mt in 2004-2005. About 70% of the oats produced in the US are used for on-farm feed. Only about 5% are used for milling purposes.

US oat production has historically been disadvantaged by the US farm policy and by the relatively low yields compared to competing crops. For 2006, the loan rate is US\$1.33 per bushel (/bu) (US\$92/t) versus US\$1.95/bu (US\$77/t) for corn. However, due to the lower yields, support for oats is relatively low, i.e. US\$82/ac for oats versus US\$295/ac for corn, based on average yields over the 2003-2006 crop year period. Similarly, the loan rate on wheat of US\$2.75/bu (US\$101/t) provided about US\$116/ac in support, significantly higher than oats.

Japan

For 2006-2007, Japan is forecast to import 70 thousand tonnes (kt) versus the 10 year average of 80 kt. Oats are grown as a forage crop all over Japan, from Hokkaido, the northern-most island, to Kyushu, the southern-most island. Oats imported into Japan are used mainly for feed purposes. Imports from Canada for 2006-2007 are forecast at 20 kt, similar to 2005-2006 and 2004-2005.

MAJOR EXPORTERS

European Union

The EU-25 is the largest oat producing region in the world, and second largest exporter. The majority of production and virtually all exports originate in Finland and Sweden. Production in other EU-25 countries generally satisfies internal domestic demand. Oat production increased to 7.8 Mt from 7.4 Mt in 2005-2006, despite the hot and dry conditions in Scandinavia and across much of

northern Europe. The United Kingdom may be the only major oat producing region in Europe to achieve near normal yields.

In general, oats from Finland and Sweden, Canada's primary competitors, are exported into the southern US where they are consumed in the performance horse market. Production in Finland and Sweden was 1.1 Mt and 0.75 Mt, respectively, in 2005-2006 and is expected to rise by 5% in 2006-2007. Exports from Scandinavia have been trending down since 1998-1999 as a result of: (a) higher returns for other crops and (b) lower demand in the US horse market resulting from the high oat prices relative to other feed grains. Due to low, weather-related, production in other member countries, the exportable surplus of oats available for the US from Finland and Sweden is expected to be historically low in 2006-2007. Consequently, EU exports (October-September) to the US for 2006-2007 are forecast by the USDA to remain historically low at 250 kt.

EU Oat Export Subsidies

EU-25 oat subsidies were introduced after Finland and Sweden joined the EU in 1995 because of the relative importance of the crop in those countries, and also to prevent oat acreage from being converted to barley production. Since barley qualifies for intervention, a larger surplus would result in costly intervention arrangements. Oats in the EU-25 are not supported by intervention prices or stocks.

WORLD: OATS SUPPLY AND DISPOSITION

	2004	2005	2006
<i>local marketing year</i>	<i>-2005</i>	<i>-2006</i>	<i>-2007f</i>
.....thousand tonnes.....			
Carry-in Stocks	3,376	3,677	3,231
Production	25,930	23,546	23,850
Total Supply	29,306	27,223	27,081
Total Use	25,629	23,992	24,138
Carry-out Stocks	3,677	3,231	2,943
Trade	1,953	2,230	2,140

f: forecast, USDA, October 2006

Source: USDA

The level of subsidies issued is inversely related to the Chicago Board of Trade (CBOT) price for oats. They are directly related to transportation costs, and the exchange rate. When world prices are low, a significant portion of the final selling price is represented by the subsidy. This is required to cover the costs of freight and foreign exchange, in order to be competitive in US markets.

Average oat subsidies for 2005-2006 were €20 (CAN\$28.44) per tonne (t) versus €4.59 (CAN\$6.53)/t for barley. The disparity indicates the subsidization of freight and foreign exchange costs associated with transporting oats from the EU-25 to the US Gulf ports. Other factors, such as the intervention price of barley, can also have an effect.

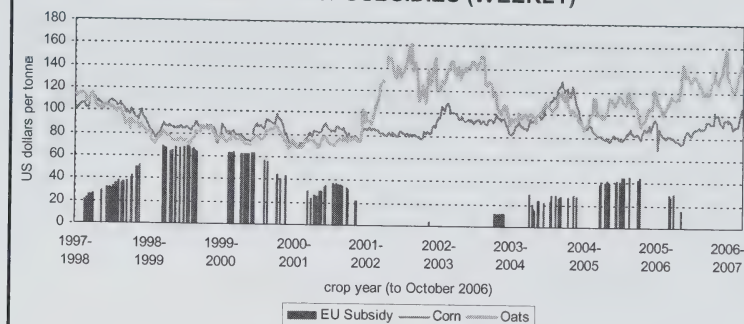
On June 29, 2006, the EU-25's Cereal Management Committee approved 100 kt of oats from Finland and Sweden to be eligible for export refunds in the 2006-2007 crop year. The actual quantity of which subsidies will be awarded may be lower. For example, in 2005-2006, 104 kt

UNITED STATES: UTILIZATION OF OATS

The major commercial US markets for oats are:

- (1) The **milling market**, which requires oats that meet stringent purity requirements, have good groat yield, uniformity, and colour (not stained). Grades normally desired are Nos. 1 and 2 Canadian Western (CW) Oats.
- (2) The **performance feed market**, mainly the southern US horse market, demands the highest quality oats.
- (3) The **general feed market**, mainly for beef cattle and horses is small relative to the market for barley and corn. This market is highly competitive with other feed grains, especially corn, since the market is quite price-responsive with a high degree of substitutability. The lowest value oats are generally sold in this market.
- (4) A **specialty market** for oats does exist, which includes organic, birdseed, and health food markets. In recent years a market for hullless oats (bred so the hulls fall away from the groat at harvest) has emerged due to the excellent food and feed value, but these oat varieties are usually grown under contract.

US CORN AND OAT PRICES AND EU OAT SUBSIDIES (WEEKLY)



Source: Chicago Board of Trade and International Grains Council

was the eligible volume, but only about 82 kt actually received refunds. To date, EU export subsidies on oats have been nil and are not expected to be significant for 2006-2007.

CANADA

Production is estimated to increase to 3.8 Mt, from 3.4 Mt for 2005-2006 due to an 8% rise in seeded area and a return to normal abandonment rates. However, yields are expected to decline to 2.52 tonnes per hectare (t/ha) versus 2.59 t/ha from 2005-2006. Production in Manitoba recovered and increased by 121% to 0.98 Mt due to higher seeded area, low abandonment and higher yields. Production in Saskatchewan increased slightly from last year to 1.7 Mt, while production in Alberta decreased by 27% to 0.6 Mt. The quality of the crop is expected to be normal in western Canada including Manitoba where the impact of the dry weather on quality is less severe than previously expected. Total supplies are expected to increase by 5%, as the higher production more than offsets the drop in carry-in stocks.

Exports (including products) are projected to rise to 1.90 Mt from 1.88 Mt in 2005-2006 on support from strong US demand. Exports of processed oats have increased in recent years. Imports of Canadian oats satisfies most of US food (milling) import demand, with a small portion sometimes

directed to the Midwest feed market. The majority of exports go to Minnesota, Nebraska, and Iowa. High quality, performance feed oats are also exported from eastern producing provinces to the eastern states of the US.

Manitoba and Saskatchewan have controlled about 50% and 40% of the export market, respectively. Alberta has also played an important, although smaller, role in exports to the US. Exports to Japan, which averaged about 20 kt over the last 10 years, are usually filled by Alberta's oats due to its proximity to the West Coast.

Prices

For 2006-2007, CBoT prices for nearby oat futures are forecast to increase from 2005-2006 to CAN\$150/t. The premium for oats over corn is expected to decrease. The premium for high quality oats is expected to increase. Additional support for prices is provided by historically low exports from Scandinavia and high US corn prices, related to rising ethanol production.

OUTLOOK

For 2007-2008, world production of oats is expected to increase slightly as lower production in the US is more than offset by higher production in the EU-25, Canada and Australia. In the US, farmers are expected to shift some area out of oats into corn and wheat because of the strong demand for biofuel. Consequently, US production is expected to decrease causing the import demand for Canadian food oats to rise. Consequently, Canadian exports of oats to the Minnesota/Wisconsin and South Eastern regions of the US are expected to rise slightly. In the EU-25, production is expected to increase due to higher yields as growing conditions return to normal. EU oat exports are expected to increase slightly but it is not expected to be an aggressive user of export subsidies.

In Canada, area seeded to oats is expected to increase due to high prices. Oat production is expected to increase slightly due to higher area harvested and yields, assuming normal weather and growing conditions. The total supply of oats in Canada is expected to rise as higher carry-in stocks supplement the increased output. Domestic consumption of oats is expected to rise as a result of higher feeding and food and industrial use. Exports are expected to decline slightly resulting in carry-out stocks remaining unchanged from the previous crop year. The price of oats is expected to remain strong.

Over the medium-term, prices are expected to rise on support from the rapidly expanding biofuels market. This will place further, continuous demand on corn, leading to a bullish outlook for corn, and hence oat, prices.

CANADA: OATS SUPPLY AND DISPOSITION

<i>crop year</i>	2004	2005	2006
<i>August-July</i>	-2005	-2006	-2007f
Seeded Area (kha)	1,995	1,853	2,002
Harvested Area (kha)	1,315	1,326	1,498
Yield (t/ha)	2.80	2.59	2.52
.....thousand tonnes.....			
Carry-in Stocks	788	975	872
Production	3,683	3,432	3,782
Imports	26	20	15
Total Supply	4,497	4,427	4,669
Food & Industrial Use	118	80	100
Feed, Waste & Dockage	1,574	1,431	1,488
Seed and Other Use	156	167	171
Total Domestic Use	1,848	1,678	1,769
Exports (includes products)	1,675	1,877	1,900
Carry-out Stocks	975	872	1,000
US No.2 Heavy, nearby CBoT (US\$/t)	131	144	140-160

f: forecast, AAFC, October 2006
Source: Statistics Canada

SASKATCHEWAN OAT CHECK-OFF PROGRAM

The Government of Saskatchewan, at the industry's request, has established the producer-directed Saskatchewan Oat Development Commission (SODC). The Commission's function is to increase the profitability of producers through market development, improved production practices, support for research on improved varieties. The SODC will be financed through a mandatory refundable check-off at the point of sale, set at \$0.50/t, and is expected to generate approximately \$350,000 per year. The check-off will be applied to all oats grown in Saskatchewan, excluding those grown for on-farm use. However, producers may request a refund twice per year. The check-off program started on August 1, 2006. The same program has been proposed in Manitoba but, on two occasions, producer support narrowly failed to reach the 60% approval rate required in Manitoba. Alberta has not instituted a check-off program to date.

Research and Funding

In 1996, millers and seed companies formed the Prairie Oat Breeding Consortium in partnership with Agriculture and Agri-Food Canada (AAFC). A joint federal-private sector oat breeding and development program was set up in Winnipeg. It is, however, dependent on federal infrastructure, facilities and oat experts, with some funding from private sector professionals.

The consortium's goal is to contribute to the stability and competitiveness of oat production in Canada, hitherto accomplished by the development and release of oat varieties that are adapted to the Canadian prairies, and that possess the processing and nutritional requirements desired by the industry and consumers. Other organizations, such as the Prairie Oat Growers' Association (POGA), a farmer association, are similarly dedicated to oats, but promote profitable production via education.

Funding for oat research by the USDA is higher than AAFC funding, which ranges between CAN\$1.0-1.5 million per year. Public funding for crop research in general has been declining, with contributions specifically towards oat research declining more rapidly.

Over the last four years, the complement of oat-specific breeders has been reduced from four (federal) positions to two positions, one located at the Cereal Research Centre (CRC) in Winnipeg, the only federal oat breeding initiative left in western Canada. The other is located at the Eastern Cereal and Oilseeds Research Centre (ECORC) in Ottawa. The Cereal Development Centre (CDC) at the University of Saskatchewan is a

provincial initiative but also conducts research on barley. The new oat check-off program in Saskatchewan will likely prove to be beneficial to the CDC in the future.

In eastern Canada, there is currently one oat breeder for AAFC located in Ottawa. The primary objective of this facility is to develop higher yielding, disease resistant varieties for all the eastern provinces.

Hands-on private sector oat breeding is limited, but there is significant involvement in private sector funding towards oat research. Overall, 80% of agricultural research and development in Canada is performed in universities or in government facilities.

The most important attribute of eastern prairie adapted varieties is resistance to Stem, Leaf, or Crown rust, the most important diseases causing significant losses in oat production in western Canada. These diseases evolve over time into new, more virulent strains that can overcome the rust-resistance of present cultivars, requiring continuous, dynamic research to produce new rust-resistant varieties. Successful production in western Canada continues to depend on, and result from, the use and development of these varieties, that possess and surpass market-specific requirements.

The consortium-AAFC partnership and the continuation of progressive oat research, is highly advantageous to producers because it provides a consistent, high quality, and therefore high demand, oat for farmers to produce and market.

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CANADA: GRAINS AND OILSEEDS OUTLOOK

October 12, 2006

For 2006-07, the production of grains and oilseeds in Canada is estimated to decrease by 7% from 2005-06 to 62.3 million tonnes (Mt), slightly above the 10-year average of 60 Mt, based on Statistics Canada's (STC) "September Estimate of Production of Principal Field Crops". Yields are generally estimated to be near trend levels, although below 2005-06. Harvest in western Canada is nearly complete, well ahead of normal. All crops are expected to have a better than normal grade distribution. In western Canada, production has decreased by 9%, to 46.3 Mt due to lower yields. In eastern Canada, production is marginally above last year at 16.0 Mt.

Total supply of grains and oilseeds in Canada for 2006-07 is forecast to decrease by 1% from 2005-06, as the lower production more than offsets higher carry-in stocks. Exports are forecast to increase by 9%, mainly because of higher wheat exports. Total domestic use is expected to rise, partly due to increased use of corn and wheat for ethanol production. Carry-out stocks are expected to fall by 25%, with declines expected for all crops except for oats, flaxseed and soybeans. Canadian prices in for all crops will continue to be pressured by the strong Canadian dollar but are expected to be higher than in 2005-06, except for flaxseed and soybeans. The major factors to watch are: southern hemisphere crop development, the biofuel market, ocean freight rates and exchange rates.

DURUM WHEAT

For 2006-07, production has fallen by 40% from 2005-06, to 3.5 Mt, the lowest since 2001-02, as a result of lower seeded area and yields. The lower production is partly offset by the record 3.3 Mt carry-in stocks. Supply is down by 19%, but it remains above the 10-year average of 6.5 Mt. Exports are forecast to decrease by 9% due to lower demand from North Africa and the EU, which will be only partly offset by increased exports to the US. Carry-out stocks are forecast to fall by 39% to the 10-year average of 2.0 Mt. The Canadian Wheat Board (CWB) Pool Return Outlook (PRO) for durum was raised on Sept. 28 due to tighter North American supply estimates. No.1 CWAD 11.5% returns are now expected to be \$16/t higher than for 2005-06, and close to those for No.1 CWRS 11.5%.

WHEAT (excluding durum)

Production has risen by 9% to 22.8 Mt, due to increased area. Supply is up by 11% to 29.2 Mt, 4 Mt above the 10-year average. The increased production is mainly due to the record 2.7 Mt Ontario crop, with western production up by 5%. Over 90% of the CWRS crop grades No.2 or better, with protein content higher than the previous 2 years. Exports are forecast to increase by 35%, due to improved CWRS quality, record Ontario production and reduced export competition. Domestic use is forecast to rise slightly, with increased industrial use for ethanol production partly offset by lower feed use. Carry-out stocks are forecast to fall below the 10-year average of 5.5 Mt. The CWB PRO is above 2005-06 for all classes and grades, although it was lowered for high protein CWRS wheat and raised for lower quality wheat on Sept. 28. The larger than expected production and above-average quality of the North American spring wheat crop has pressured quality/protein premiums.

BARLEY

Production has fallen by 20%, due to lower area and yields, with supply down by 16%. Exports are forecast to fall by 28%, with higher malting barley exports only partly offsetting lower exports of feed barley. Despite lower exports and domestic use, ending stocks are forecast to fall sharply. The average off-Board feed barley price is projected to rise by \$20/t. The CWB PRO for No. 1 CW feed barley for Pool A is \$142/t, vs. \$131/t for 2005-06 Pool B. The PRO for SS2R malting barley is \$189/t vs. \$171/t for 2005-06, due to lower exportable supplies from major competitors and strong import demand from the US.

CORN

Production has fallen by 7%, due to lower yields. Domestic supply has decreased by 4%, as larger carry-in stocks partially offset the lower production. Imports are forecast to rise sharply, due to strong demand for ethanol production and animal feed. Carry-out stocks are forecast to drop by 30%. The average Chatham price is forecast to rise by 15% due to higher US prices and lower domestic supplies.

OATS

Production has risen by 10%, mainly due to a larger area. Supply has increased by 5%, as lower carry-in stocks partly offset the higher production. Exports are forecast to rise slightly, as a result of stronger US import demand and less competition from the EU. Feed use and carry-out stocks are expected to rise. The average Chicago Board of Trade nearby futures price is forecast to increase slightly. The price premium of oats over corn is expected to be lower than in 2005-06.

CANOLA

Production has decreased by 12%, largely because of lower yields. This is partly offset by burdensome carry-in stocks and as a result supply will remain historically high. Exports are forecast to fall marginally from the 2005-06 record to 5.2 Mt. Domestic crush is forecast to increase slightly, following the

expansion of some processing plants, with many of the recently announced plants not expected to begin operations until 2007-08. Carry-out stocks are forecast to fall sharply, but will remain significantly above the 10-year average. Prices are expected to rise from the low level of 2005-06, but remain under pressure from low US soybean prices.

FLAXSEED (excluding solin)

Production has fallen by 11% as lower yields more than offset higher harvested area. However, supply has increased sharply as the decrease in production was more than offset by large carry-in stocks. Exports are expected to increase slightly, with carry-out stocks forecast to rise to a burdensome 0.5 Mt, vs. the 10-year average of 0.2 Mt. As a result, prices are forecast to decline.

SOYBEANS

Production has risen by 4% due to higher area. Domestic supply has increased by 10% due to higher production and carry-in stocks. As a result, imports are projected to fall by 56%. Exports are forecast to increase to a record high on the strength of market development efforts for edible soybeans. Domestic crush is expected to increase slightly. Prices are forecast to decline under pressure from higher carry-out stocks and lower US soybean prices.

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CANADA: GRAINS AND OILSEEDS SUPPLY AND DISPOSITION

October 12, 2006

Grain and Crop Year (a)	Area Seeded thousand ha	Area Harvested thousand ha	Yield t/ha	Production	Imports (b)	Total Supply	Exports (c)	Food & Industrial Use (e)	Feed, Waste & Dockage	Total Domestic Use (d)	Carry-out Stocks	Average Price (f) \$/t
thousand metric tonnes												
Durum												
2004-2005	2,230	2,141	2.32	4,962	1	6,752	3,218	254	570	1,047	2,487	201
2005-2006	2,341	2,297	2.58	5,915	1	8,402	4,269	252	451	867	3,266	181*
2006-2007F	1,724	1,700	2.08	3,538	1	6,805	3,900	255	460	905	2,000	197*
Wheat Except Durum												
2004-2005	8,169	7,722	2.71	20,898	13	25,203	11,593	2,845	4,525	8,175	5,435	190
2005-2006	7,753	7,530	2.77	20,860	23	26,318	11,498	2,797	4,648	8,343	6,477	181*
2006-2007F	8,953	8,850	2.57	22,751	19	29,247	15,500	3,200	4,295	8,347	5,400	198*
All Wheat												
2004-2005	10,399	9,862	2.62	25,860	14	31,955	14,812	3,099	5,095	9,221	7,922	
2005-2006	10,094	9,826	2.72	26,775	23	34,720	15,768	3,049	5,099	9,209	9,743	
2006-2007F	10,677	10,550	2.49	26,289	20	36,052	19,400	3,455	4,755	9,252	7,400	
Barley												
2004-2005	4,678	4,050	3.26	13,186	83	15,371	1,863	268	9,417	10,073	3,435	112
2005-2006	4,440	3,889	3.21	12,481	46	15,962	2,973	155	9,204	9,700	3,289	110
2006-2007F	3,871	3,408	2.94	10,011	40	13,340	2,150	260	8,915	9,590	1,600	120-140
Corn												
2004-2005	1,185	1,072	8.24	8,837	2,419	12,399	229	2,395	7,961	10,368	1,802	100
2005-2006	1,124	1,096	8.63	9,461	1,906	13,168	281	2,220	8,654	10,886	2,001	96
2006-2007F	1,122	1,100	8.02	8,823	2,600	13,424	200	3,000	8,809	11,824	1,400	100-120
Oats												
2004-2005	1,995	1,315	2.80	3,683	26	4,497	1,675	118	1,574	1,848	974	131
2005-2006	1,853	1,326	2.59	3,432	20	4,427	1,877	80	1,431	1,678	872	144
2006-2007F	2,002	1,498	2.52	3,782	15	4,669	1,900	100	1,498	1,769	1,000	140-160
Rye												
2004-2005	284	165	2.53	418	1	462	122	48	145	210	130	68
2005-2006	226	148	2.42	359	1	490	123	48	132	197	170	81
2006-2007F	151	144	2.33	335	1	506	110	48	191	256	140	85-105
Mixed Grains												
2004-2005	220	111	2.87	318	0	318	0	0	318	318	0	
2005-2006	209	109	2.78	303	0	303	0	0	303	303	0	
2006-2007F	230	110	2.87	316	0	316	0	0	316	316	0	
Total Coarse Grains												
2004-2005	8,362	6,713	3.94	26,442	2,528	33,046	3,889	2,828	19,414	22,817	6,341	
2005-2006	7,852	6,568	3.96	26,036	1,973	34,350	5,255	2,503	19,723	22,764	6,331	
2006-2007F	7,375	6,260	3.72	23,267	2,656	32,254	4,360	3,408	19,728	23,754	4,140	
Canola												
2004-2005	5,319	4,938	1.57	7,728	108	8,444	3,412	3,031	375	3,446	1,587	309
2005-2006	5,491	5,283	1.83	9,660	140	11,386	5,412	3,423	492	3,956	2,019	278
2006-2007F	5,324	5,259	1.61	8,485	150	10,654	5,200	3,450	409	3,904	1,550	285-315
Flaxseed												
2004-2005	728	528	0.98	517	39	648	468	n/a	n/a	157	24	n/a
2005-2006	842	803	1.35	1,082	38	1,144	537	n/a	n/a	271	336	276
2006-2007F	838	829	1.16	959	20	1,315	550	n/a	n/a	265	500	245-285
Soybeans												
2004-2005	1,229	1,178	2.59	3,048	393	3,581	1,122	1,610	457	2,190	270	248
2005-2006	1,176	1,169	2.70	3,161	339	3,770	1,326	1,493	327	1,949	495	220
2006-2007F	1,240	1,232	2.67	3,293	150	3,938	1,350	1,550	338	1,988	600	185-225
Total Oilseeds												
2004-2005	7,277	6,643	1.70	11,293	540	12,674	5,002	n/a	n/a	5,792	1,880	
2005-2006	7,510	7,255	1.92	13,904	516	16,300	7,274	n/a	n/a	6,176	2,850	
2006-2007F	7,402	7,320	1.74	12,737	320	15,907	7,100	n/a	n/a	6,157	2,650	
Total Grains And Oilseeds												
2004-2005	26,038	23,219	2.74	63,596	3,082	77,675	23,702	n/a	n/a	37,830	16,143	
2005-2006	25,456	23,650	2.82	66,715	2,512	85,370	28,296	n/a	n/a	38,149	18,924	
2006-2007F	25,454	24,130	2.58	62,293	2,996	84,213	30,860	n/a	n/a	39,163	14,190	

(a) Crop year is August-July except corn and soybeans which are September-August.

(b) Excludes imports of products. (c) Includes exports of products for wheat, oats, barley, and rye. Excludes exports of oilseed products.

(d) Total Domestic Use = Food and Industrial Use + Feed Waste & Dockage + Seed Use

(e) Soybean food and industrial use is based on data from the Canadian Oilseed Processors Association. Totals excludes flaxseed due to data confidentiality.

(f) Crop year average prices: No. 1 CWRS 11.5% protein and No. 1 CWAD 11.5% (CWB final price I/S St. Lawrence/Vancouver); Barley (No. 1 feed, WCE, cash, I/S Lethbridge); Corn (No. 2 CE, cash, I/S Chatham); Oats (US No. 2 Heavy, CBoT nearby futures); Rye (No. 1 CW, I/S Saskatoon); Canola (No. 1 Canada, WCE, cash, I/S Vancouver); Flaxseed (No. 1 CW, WCE, cash, I/S Thunder Bay); Soybeans (No. 2, I/S Chatham).

* Canadian Wheat Board Pool Return Outlook - September 28, 2006

F: Forecast: Agriculture and Agri-Food Canada — October 12, 2006

Source: Statistics Canada, Cereals and Oilseeds Review Series, Cat. No. 22-007



CANADA: PULSE AND SPECIAL CROPS OUTLOOK

October 12, 2006

For 2006-07, total Canadian production of pulse and special crops is estimated to decrease by 19%, from 2005-06, to 4.3 million tonnes (Mt), based on Statistics Canada's (STC) September production estimates and AAFC forecasts where STC estimates were not available. Estimated yields are lower than trend for dry peas, lentils, chickpeas mustard seed, canary seed and buckwheat, but higher for dry beans and sunflower seed. Crop abandonment is estimated to be lower than normal. Harvest progress is ahead of 2005-06 and ahead of normal, with combining generally complete, except for dry beans in eastern Canada and canary seed, sunflower seed and buckwheat in western Canada. Quality is expected to be, in general, normal to higher than normal. The risk of frost damage is low for unharvested fields due to the advanced stage of development.

Total supply is estimated to decrease by 13% to 5.85 Mt, as higher carry-in stocks partly offset the decrease in production. Exports and carry-out stocks are forecast to decrease because of the lower supply, while domestic use increases slightly. Average prices, over all types, grades and markets, are forecast to increase for dry peas, lentils, mustard seed, canary seed and sunflower seed, decrease for dry beans and chickpeas, and be the same for buckwheat. The stronger Canadian dollar, compared to the US dollar, is expected to have the largest impact on dry bean and sunflower seed prices, as Canadian prices for these crops are directly related to US prices. The main factors to watch are Canadian weather conditions, especially precipitation, during the remainder of the harvest period. Other factors to watch are the exchange rates of the Canadian dollar against the US dollar and other currencies, ocean shipping rates and growing and harvest conditions in other major producing countries, especially the United States, Australia, India and Mexico.

DRY PEAS

For 2006-07, production and supply are estimated to decrease, as lower yields more than offset the 4% increase in seeded area. Production is expected to decrease for yellow, green and other types. World supply is forecast to decrease by 6% to 11.5 Mt because of lower production and lower carry-in stocks. Canadian exports are forecast to decrease because of the lower Canadian supply and lower demand in EU feed markets. Carry-out stocks are forecast to decrease, with a stocks-to-use ratio (s/u) of 10%. The average price, over all types, grades and markets, is expected to rise from 2005-06 due to the lower supply.

LENTILS

For 2006-07, production and supply are estimated to decrease due to a 34% lower seeded area and lower yields. Production is expected to decrease sharply for large, medium and small green lentils, but increase for red lentils. Carry-in stocks are estimated to be high for green lentils, but low for red lentils. World supply is forecast to decrease by 6% to 4.31 Mt. Canadian exports are expected to increase because of a higher supply of red lentils and lower production in some competing countries. Carry-out stocks are forecast to decrease, with a s/u of 15%. The average price is forecast to increase for green lentils, as the world supply of green lentils decreases, but remain stable for red lentils, in line with the relatively stable world supply of red lentils. Over all types and grades, the average price is forecast to increase.

DRY BEANS

For 2006-07, production and supply are estimated to increase, as an 11% lower seeded area is more than offset by lower abandonment and higher yields. Production is expected to increase for white pea, Great Northern, pinto and black beans, decrease for light and dark red

kidney and cranberry beans, and remain stable for pink and small red beans. In the US, production is expected to fall by 15% to 1.01 Mt, while supply decreases by only 11% to 1.185 Mt due to higher carry-in stocks. Canadian exports are forecast to increase due to the higher supply and strong demand. Carry-out stocks are expected to increase, with a s/u of 12%. The average price, over all classes and grades, is forecast to decrease because of the higher Canadian supply, increased share of lower priced classes of beans in total production, and the stronger Canadian dollar.

CHICKPEAS

For 2006-07, production and supply are estimated to increase, as an 82% higher seeded area more than offsets lower yields. Production is expected to increase for all types, large kabuli, small kabuli and desi. World supply is expected to remain stable at 9.1 Mt, as an increase for the kabuli type is offset by a decrease for the desi type. Although Canadian exports are forecast to increase because of the higher supply, carry-out stocks are expected to rise, with a s/u of 14%. The average price, over all types and grades, is forecast to fall due to the higher world supply of the kabuli type, which accounts for about 87% of Canadian production, although the price of the desi type is forecast to increase.

MUSTARD SEED

For 2006-07, production and supply are estimated to decrease because of a 34% lower seeded area and lower yields. Production is expected to decrease for all types, yellow, brown and oriental. A significant portion of the carry-in stocks is estimated to be low quality seed. Exports are expected to rise slightly due to higher demand and carry-out stocks are forecast to decrease sharply, with a s/u of 51%.

The average price, over all types and grades, is expected to increase due to the lower supply.

CANARY SEED

For 2006-07, production and supply are estimated to decrease due to a 34% lower seeded area and lower yields. World supply is forecast to decrease by 20% to 348,000 t. Canadian exports are expected to decrease slightly because of higher prices, while carry-out stocks decrease sharply, with a s/u of 52%. The average price is forecast to rise because of the lower supply.

SUNFLOWER SEED

For 2006-07, production and supply are estimated to increase as a 13% lower seeded area is more than offset by lower abandonment and higher yields. Production is expected to increase for both types, confectionery and oilseed. US supply is expected to decrease by 29% to 1.39 Mt. Canadian exports are forecast to increase because of the higher supply and strong demand. Carry-out stocks are expected to increase, with a s/u of 22%. The average price, over both types, is forecast to increase because of the lower total US and Canadian supply.

BUCKWHEAT

For 2006-07, Canadian production and supply are forecast to remain stable, as a higher seeded area is offset by lower yields. The average price is expected to be the same as in 2005-06.

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CANADA: PULSE AND SPECIAL CROPS SUPPLY AND DISPOSITION

October 12, 2006

Grain and Crop Year (a)	Area Seeded thousand ha	Area Harvested thousand ha	Yield t/ha	Production	Imports (b)	Total Supply thousand metric tonnes	Exports (b)	Total Domestic Use (d)	Carry-out Stocks	Average Price (e) \$/t
Dry Peas										
2002-2003	1,297	1,050	1.30	1,365	41	1,681	626	745	310	210
2003-2004	1,303	1,271	1.67	2,124	24	2,458	1,316	937	205	175
2004-2005	1,388	1,345	2.48	3,338	57	3,600	1,853	1,152	595	135
2005-2006	1,366	1,319	2.35	3,100	75	3,770	2,566	724	480	120
2006-2007f	1,420	1,386	1.99	2,753	80	3,313	2,200	813	300	120-150
Lentils										
2002-2003	601	387	0.91	354	9	494	320	119	55	390
2003-2004	554	536	0.97	520	5	580	367	175	38	420
2004-2005	778	750	1.28	962	10	1,010	451	314	245	310
2005-2006	884	862	1.48	1,278	8	1,531	669	387	475	230
2006-2007f	587	571	1.18	673	10	1,158	710	298	150	260-290
Dry Beans										
2002-2003	230	219	1.89	414	40	489	298	96	95	445
2003-2004	167	167	2.13	356	31	482	344	83	55	495
2004-2005	163	126	1.75	220	28	303	278	20	5	650
2005-2006	197	175	1.85	324	39	368	284	49	35	495
2006-2007f	176	176	2.01	353	25	413	315	53	45	465-495
Chickpeas										
2002-2003	221	154	1.01	156	9	345	105	160	80	300
2003-2004	63	63	1.08	68	2	150	74	51	25	330
2004-2005	47	39	1.31	51	4	80	47	28	5	385
2005-2006	79	73	1.42	104	7	116	64	42	10	490
2006-2007f	144	142	1.06	150	5	165	100	45	20	460-490
Mustard Seed										
2002-2003	289	255	0.60	154	9	196	114	22	60	595
2003-2004	340	328	0.69	226	2	288	121	75	92	390
2004-2005	317	304	1.01	306	1	399	119	86	194	295
2005-2006	212	206	0.98	201	0	395	133	72	190	265
2006-2007f	140	132	0.91	120	1	311	135	71	105	290-320
Canary Seed										
2002-2003	287	227	0.78	176	0	206	160	26	20	575
2003-2004	251	243	0.93	226	0	246	165	14	67	345
2004-2005	356	318	0.95	301	0	368	163	37	168	230
2005-2006	190	186	1.22	227	0	395	185	20	190	195
2006-2007f	125	123	0.96	118	0	308	180	23	105	215-245
Sunflower Seed										
2002-2003	100	95	1.65	157	21	200	105	60	35	440
2003-2004	119	115	1.30	150	16	201	96	80	25	405
2004-2005	87	59	0.92	54	35	114	32	64	18	490
2005-2006	93	75	1.19	89	26	133	46	60	27	345
2006-2007f	81	74	1.65	122	20	169	75	64	30	345-375
Buckwheat										
2002-2003	12	12	1.00	12	1	16	6	7	3	340
2003-2004	9	9	1.11	10	1	14	5	7	2	355
2004-2005	9	7	0.71	5	1	8	4	4	0	355
2005-2006	7	6	1.33	8	1	9	4	5	0	355
2006-2007f	10	9	0.89	8	1	9	4	5	0	340-370
Total Pulse And Special Crops (c)										
2002-2003	3,036	2,399	1.16	2,788	130	3,627	1,734	1,235	658	
2003-2004	2,805	2,732	1.35	3,680	81	4,419	2,488	1,422	509	
2004-2005	3,145	2,948	1.78	5,237	136	5,882	2,947	1,705	1,230	
2005-2006	3,028	2,902	1.84	5,331	156	6,717	3,951	1,359	1,407	
2006-2007f	2,683	2,613	1.64	4,297	142	5,846	3,719	1,372	755	

(a) August-July crop year.

(b) Excludes products.

(c) Includes Pulse Crops (dry peas, lentils, dry beans, chick peas) and Special Crops (mustard seed, canary seed, sunflower seed, buckwheat)

(d) Includes food, feed, seed, waste and dockage. Total domestic use is calculated residually.

(e) Producer price, FOB plant. Average over all types, grades and markets.

f. forecast, Agriculture and Agri-Food Canada, October 12, 2006

Source: Statistics Canada and industry consultations.

A. SELLING PRICE OF BULK FEED INGREDIENTS AT SELECTED POINTS

October 16, 2006

SELECTED POINT	REFERENCE PERIOD	PRICE BASIS	(1)	WHEAT	OATS	BARLEY	CORN	PRICE BASIS	SOYBEAN MEAL	CANOLA MEAL	MILL FEEDS	MEAT MEAL	FISH MEAL	ANIMAL FAT	GLUTEN MEAL	GLUTEN FEED	FEED PEAS	DEHY ALFALFA	FEATHER MEAL
Vancouver	October 16, 2006	FOB		190.00	N/A	169.00	187.25		264.00	169.50	130.00		987.50	520.00					385.00
BC (4) (7)	October 16, 2006	FOB		180.00	N/A	148.00	161.50		245.50	114.00	120.00		987.50	520.00					385.00
Calgary	October 16, 2006	FOB		160.00	N/A	145.00	170.00		253.50				1050.00	430.00					370.00
AB (4)	October 16, 2006	FOB		141.00	N/A	130.00	153.00		245.50				150.00	430.00					370.00
Saskatoon	October 16, 2006	FOB		124.50	162.00	112.50	160.00		258.00	N/A			150.00	N/A	430.00		145.00		380.00
SK (4)	October 16, 2006	FOB		114.50	146.00	105.00	140.00		250.00	N/A			160.00	N/A	430.00		123.50		380.00
Winnipeg	October 16, 2006	FOB		157.50	140.00	122.00	150.00		240.00	N/A			255.00	1112.50	515.00				380.00
MB (4) (9)	October 16, 2006	FOB		159.00	140.00	121.00	135.00		232.00	N/A			255.00	1112.50	515.00				380.00
Thunder Bay	October 16, 2006	In-Store		145.00	N/A	124.00													
ON (8)	October 16, 2006			140.00	N/A	117.05													
Lake Ports	October 16, 2006	On Board					137.16												
USA (3)	October 16, 2006	Vessel					124.83												
Bay Ports	October 16, 2006	In-Store		189.00	200.00	120.00													
ON	October 16, 2006			180.00	200.00	120.00													
Chatham	October 16, 2006	Track					139.72												
ON	October 16, 2006						123.83												
Toronto	October 16, 2006	N/A						FOB											
ON (5)	October 16, 2006																		
Hamilton	October 16, 2006	N/A							247.69	N/A			204.00	415.00	N/A	N/A		285.00	290.00
ON	October 16, 2006								235.56	N/A			204.00	395.00	N/A	N/A		285.00	290.00
ON	October 16, 2006																		
Eastern	October 16, 2006	FOB					129.00												
ON	October 16, 2006						120.50												
London	October 16, 2006	FOB																	
ON	October 16, 2006																		
Port Colborne	October 16, 2006	FOB																	
ON	October 16, 2006																		
Cardinal	October 16, 2006	FOB																	
ON	October 16, 2006																		
Montreal	October 16, 2006	FOB		202.00	165.00	166.00	167.00		262.93	180.63	101.67	180.00	N/A	440.00	N/A	N/A		270.00	360.00
QC (5)	October 16, 2006			185.00	165.00	145.00	149.00	FOB	250.16	168.25	98.33	180.00	N/A	429.00	N/A	N/A		270.00	360.00
Trois-Rivières	October 16, 2006	In-Store		220.00		176.00	167.12												
QC	October 16, 2006			197.00		159.70	153.34												
St. Jean QC (2)	October 16, 2006	FOB		175.67	150.00	149.00	152.41		253.12										
St. Hyacinthe QC	October 16, 2006			175.80	143.40	144.00	144.48		246.28										
Quebec	October 16, 2006	In-Store		207.40	N/A	168.77	163.27		266.35	180.80									
QC	October 16, 2006			186.00	N/A	165.41	146.51		255.54	164.33									
Truro	October 16, 2006	Track		239.90	N/A	198.01	174.52		280.59	195.08									
NS	October 16, 2006			231.02	N/A	198.01	164.64	FOB	283.38	195.08									
Truro	October 16, 2006	Water		N/A	N/A	N/A	N/A												
NS	October 16, 2006	& Truck		N/A	N/A	N/A	N/A												
Halifax	October 16, 2006	In-Store		216.00	N/A	N/A	177.90		290.40	239.00	287.50		N/A						
NS (6)	October 16, 2006			205.63	N/A	N/A	169.00		290.40	238.90	297.50		N/A						

Sources: Market Analysis Division, Agriculture and Agri-Food Canada; Thunder Bay prices are based on the Winnipeg Commodity Exchange (WCE) market close

Closing date October 13/2006

US\$1.00 = CAN\$ 1.1367

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N/A = not available

Footnotes: All prices in Canadian dollars per metric tonne based on survey respondents.

Grain grades (unless otherwise specified) are: Western or Eastern Feed Wheat, Feed Oats, No. 1 Canada Western or Eastern Barley, No. 2 Canada Yellow Corn, No. 3 US Yellow Corn, Soybean Meal 48 % Protein, Canola Meal based on minimum standard of 35% Protein, Fish Meal: white fish and/or herring meal, Gluten Meal 60% Protein, Gluten Feed 21% Protein.

(1) Wheat 3CWRS (2) Canadian Corn #3 or #2 (3) US Corn (4) Fish Meal from West Coast 63% Protein (5) Fish Meal 60% Protein (6) Herring Fish Meal (7) Fraser Valley (8) Wheat & Barley (Basis - Cash Price WCE) (9) Oats 3CW

B. CASH PRICES AND REPLACEMENT VALUES

October 16, 2006

PRAIRIE GRAINS

Selected Points		Price Basis		This week October 16, 2006	Last week October 2, 2006	Month ago September 18, 2006	Year Ago October 17, 2005
From:	Thunder Bay(WCE) (2)	In-Store	Wheat	160.00	150.00	130.00	110.00
	(CBOT)		Oat	236.50	206.25	200.50	167.25
	(Lethbridge)		Barley	149.00	132.00	120.00	107.50
To:	Bayport, ON (1)	In-store	Wheat	183.61	173.61	153.61	133.61
			Oat	N/A	N/A	N/A	N/A
			Barley	176.39	159.39	147.39	134.89
	Montreal, QC (1)	In-store	Wheat	188.03	178.03	158.03	138.03
			Oat	N/A	N/A	N/A	N/A
			Barley	181.31	164.31	152.31	139.81
	Moncton, NB	Truck via Halifax	Wheat	210.25	200.25	180.25	160.25
			Oat	N/A	N/A	N/A	N/A
			Barley	205.50	188.50	176.50	164.00
	Truro, NS	Truck via Halifax	Wheat	204.22	194.22	174.22	154.22
			Oat	N/A	N/A	N/A	N/A
			Barley	203.00	186.00	174.00	161.50
	Halifax, NS (1)	In-store	Wheat	195.28	185.28	165.28	145.28
			Oat	N/A	N/A	N/A	N/A
			Barley	189.30	172.30	160.30	147.80
	Stephenville, NL	Track / Truck via Sydney	Wheat	258.63	248.63	228.63	208.63
			Oat	N/A	N/A	N/A	N/A
			Barley	N/A	N/A	N/A	N/A
	Melfort, SK		Wheat	N/A	N/A	N/A	N/A
			Oat	N/A	N/A	N/A	N/A
		Track	Barley	N/A	N/A	N/A	N/A
	Bayport, ON		Wheat	N/A	N/A	N/A	N/A
			Oat	N/A	N/A	N/A	N/A
		Track	Barley	N/A	N/A	N/A	N/A
	Montreal, QC		Wheat	N/A	N/A	N/A	N/A
			Oat	N/A	N/A	N/A	N/A
		Track	Barley	N/A	N/A	N/A	N/A
	Moncton, NB		Wheat	N/A	N/A	N/A	N/A
			Oat	N/A	N/A	N/A	N/A
		Track	Barley	N/A	N/A	N/A	N/A
	Truro, NS		Wheat	N/A	N/A	N/A	N/A
			Oat	N/A	N/A	N/A	N/A
		Track / Truck via Sydney	Barley	N/A	N/A	N/A	N/A
	Stephenville, NL		Wheat	N/A	N/A	N/A	N/A
			Oat	N/A	N/A	N/A	N/A
			Barley	N/A	N/A	N/A	N/A

Selected Points		Price Basis		This week October 16, 2006	Last Week October 2, 2006	Month Ago September 18, 2006	Year Ago October 17, 2005
Corn							
From:	US Lake Port	On Board Vessel		137.16	113.06	104.34	85.65
To:	Montreal, QC (1)	In-store		156.20	132.10	123.38	104.69
From:	Chicago (IL)	Track		136.26	109.55	100.82	84.95
To:	Montreal, QC	Track		165.12	138.41	129.68	113.81
From:	Chatham, ON	Track		139.72	112.90	107.25	109.97
To:	Montreal, QC	Track		163.59	136.77	131.12	133.84

Soymeal 48% Protein

From:	Hamilton, ON			247.69	228.07	216.60	252.84
To:	Montreal, QC	Track		272.02	252.40	240.93	277.17
	Moncton, NB	Track		290.77	271.15	259.68	295.92
	Truro, NS	Track		293.99	274.37	262.90	299.14
	Stephenville, NL	Track / Truck via Sydney		342.62	323.00	311.53	347.77

- Prices include ONE month of storage and interest charges n/a = not available
- Thunder Bay prices are based on the Winnipeg Commodities Exchange market close (Cash price)

Source: Market Analysis Division, Agriculture and Agri-Food Canada

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Footnotes: All prices quoted in Canadian dollars per metric tonne.

Grain grades (unless otherwise specified) are: Canada Western Feed Wheat, Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn.

Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec.

Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable

A. SELLING PRICE OF BULK FEED INGREDIENTS AT SELECTED POINTS														October 2, 2006				
SELECTED POINT	REFERENCE PERIOD	PRICE BASIS	(1) WHEAT	OATS	BARLEY	CORN	PRICE BASIS	SOYBEAN MEAL	CANOLA MEAL	MILL FEEDS	MEAT MEAL	FISH MEAL	ANIMAL FAT	GLUTEN MEAL	GLUTEN FEED	FEED PEAS	DEHY ALFALFA	FEATHER MEAL
Vancouver	October 2, 2006	FOB	180.00	N/A	148.00	161.50		243.50	114.00	120.00		987.50	520.00					385.00
BC (4) (7)	September 25, 2006		170.00	N/A	144.00	156.00		240.50	142.00	120.00		1000.00	520.00					375.00
Calgary	October 2, 2006	FOB	141.00	N/A	130.00	148.00		239.00			150.00	1050.00	430.00					360.00
AB (4)	September 25, 2006		132.00	N/A	126.00	146.00		237.00			150.00	1050.00	430.00					340.00
Saskatoon	October 2, 2006	FOB	114.50	146.00	105.00	138.00		243.00	N/A		160.00	N/A	430.00			123.50		370.00
SK (4)	September 25, 2006		114.50	146.00	105.00	136.00		242.50	N/A		160.00	N/A	430.00			123.50		360.00
Winnipeg	October 2, 2006	FOB	153.00	140.00	117.50	129.00		225.50	N/A		255.00	1112.50	515.00					380.00
MB (4) (9)	September 25, 2006		147.50	140.00	115.50	126.00		224.50	N/A		255.00	1112.50	515.00					380.00
Thunder Bay	October 2, 2006	In-Store	131.90	N/A	116.00													
ON (8)	September 25, 2006		132.50	N/A	113.95													
Lake Ports	October 2, 2006	On Board				113.06												
USA (3)	September 25, 2006	Vessel				110.06												
Bay Ports	October 2, 2006	In-Store	178.00	200.00	130.00													
ON	September 25, 2006		172.00	200.00	130.00													
Chatham	October 2, 2006	Track				112.90												
ON	September 25, 2006					110.00												
Toronto	October 2, 2006	N/A									204.00		385.00	N/A	N/A			290.00
ON (5)	September 25, 2006										204.00		385.00	N/A	N/A			292.50
Hamilton	October 2, 2006	N/A						228.07	N/A									
ON	September 25, 2006							228.45	N/A									
Eastern	October 2, 2006	FOB				111.00												
ON	September 25, 2006					103.25												
London	October 2, 2006	FOB																
ON	September 25, 2006																	
Port Colborne	October 2, 2006	FOB																
ON	September 25, 2006																	
Cardinal	October 2, 2006	FOB																
ON	September 25, 2006																	
Montreal	October 2, 2006		180.00	165.00	145.00	125.00		243.79	164.70	86.67	180.00	N/A	429.00	N/A	N/A		270.00	360.00
QC (5)	September 25, 2006		170.00	165.00	145.00	130.00		240.91	167.20	85.00	180.00	N/A	429.00	N/A	N/A		270.00	360.00
Trois-Rivières	October 2, 2006	In-Store	174.00		155.20	139.56												
ON	September 25, 2006		177.00		160.90	135.92												
St. Jean QC (2)	October 2, 2006	FOB	161.25	143.50	131.55	130.66		200.79										
St. Hyacinthe QC	September 25, 2006		150.00	140.25	129.23	130.23		229.51										
Quebec	October 2, 2006	In-Store	181.00	N/A	157.37	132.53		248.04	161.83									
QC	September 25, 2006		173.00	N/A	165.42	136.49		238.26	164.00									
Truro	October 2, 2006	Track	218.81	N/A	170.51	160.33		273.30	194.41		262.10		587.00					340.00
NS	September 25, 2006		218.81	N/A	170.51	159.72		277.12	194.41		262.10		587.00					340.00
Truro	October 2, 2006	Water	N/A	N/A	N/A	N/A												
NS	September 25, 2006	& Truck	N/A	N/A	N/A	N/A												
Halifax	October 2, 2006	In-Store	198.75	N/A	N/A	162.90		280.40	231.50	297.50		N/A						
NS (6)	September 25, 2006		196.25	N/A	N/A	161.05		290.40	237.45	297.50		N/A						

Source: Market Analysis Division, Agriculture and Agri-Food Canada; Thunder Bay prices are based on the Winnipeg Commodity Exchange (WCE) market close

Contact: André Dombé - Statistical Clerk Telephone: (204) 983-0581 Fax: (204) 983-5524 Email: dombea@agr.gc.ca

N/A = not available

Footnotes: All prices in Canadian dollars per metric tonne based on survey respondents.

Grain grades (unless otherwise specified) are: Western or Eastern Feed Wheat. Feed Oats. No.1 Canada Western or Eastern Barley. No.2 Canada Yellow Corn. No.3 US Yellow Corn. Soybean Meal 48 % Protein. Canola Meal based on minimum standard of 35% Protein. Fish Meal: white fish and/or herring meal. Gluten Meal 60% Protein. Gluten Feed 21% Protein.

(1) Wheat 3CWRS (2) Canadian Corn #3 or #2 (3) US Corn (4) Fish Meal from West Coast 63% Protein (5) Fish Meal 60% Protein (6) Herring Fish Meal (7) Fraser Valley (8) Wheat & Barley (Basis - Cash Price WCE) (9) Oats 3CW

US\$1.00 = CANS 1.1153

Closing date September 29/2006

B. CASH PRICES AND REPLACEMENT VALUES

October 2, 2006

PRAIRIE GRAINS

Selected Points		Price Basis		This week October 2, 2006	Last week September 18, 2006	Month ago September 5, 2006	Year Ago October 3, 2005
From: Thunder Bay(WCE) (2)	In-store		Wheat	150.00	130.00	128.00	108.00
			Oat	206.25	200.50	183.75	161.50
(CBOT)			Barley	132.00	120.00	113.00	107.00
(Lethbridge)			Wheat	173.61	153.61	151.61	131.61
To: Bayport, ON (1)	In-store		Oat	N/A	N/A	N/A	N/A
			Barley	159.39	147.39	140.39	134.39
			Wheat	178.03	158.03	156.03	136.03
			Oat	N/A	N/A	N/A	N/A
Montreal, QC (1)	In-store		Barley	164.31	152.31	145.31	139.31
			Wheat	200.25	180.25	178.25	158.25
			Oat	N/A	N/A	N/A	N/A
Moncton, NB	Truck via Halifax		Barley	188.50	176.50	169.50	163.50
			Wheat	194.22	174.22	172.22	152.22
			Oat	N/A	N/A	N/A	N/A
Truro, NS	Truck via Halifax		Barley	186.00	174.00	167.00	161.00
			Wheat	185.28	165.28	163.28	143.28
			Oat	N/A	N/A	N/A	N/A
Halifax, NS (1)	In-store		Barley	172.30	160.30	153.30	147.30
			Wheat	248.63	228.63	226.63	206.63
			Oat	N/A	N/A	N/A	N/A
Stephenville, NL	Track / Truck via Sydney		Barley	N/A	N/A	N/A	N/A
			Wheat	N/A	N/A	N/A	N/A
			Oat	N/A	N/A	N/A	N/A
Melfort, SK			Barley	N/A	N/A	N/A	N/A
			Wheat	N/A	N/A	N/A	N/A
			Oat	N/A	N/A	N/A	N/A
	Track		Barley	N/A	N/A	N/A	N/A
Bayport, ON			Wheat	N/A	N/A	N/A	N/A
			Oat	N/A	N/A	N/A	N/A
	Track		Barley	N/A	N/A	N/A	N/A
Montreal, QC			Wheat	N/A	N/A	N/A	N/A
			Oat	N/A	N/A	N/A	N/A
	Track		Barley	N/A	N/A	N/A	N/A
Moncton, NB			Wheat	N/A	N/A	N/A	N/A
			Oat	N/A	N/A	N/A	N/A
	Track		Barley	N/A	N/A	N/A	N/A
Truro, NS			Wheat	N/A	N/A	N/A	N/A
			Oat	N/A	N/A	N/A	N/A
	Track / Truck via Sydney		Barley	N/A	N/A	N/A	N/A
			Wheat	N/A	N/A	N/A	N/A
			Oat	N/A	N/A	N/A	N/A
			Barley	N/A	N/A	N/A	N/A

Selected Points		Price Basis		This week October 2, 2006	Last Week September 18, 2006	Month Ago September 5, 2006	Year Ago October 3, 2005
Corn							
From: US Lake Port	On Board Vessel			113.06	104.34	98.13	82.51
To: Montreal, QC (1)	In-store			132.10	123.38	117.17	101.55
From: Chicago (IL)	Track			109.55	100.82	100.77	84.79
To: Montreal, QC	Track			138.41	129.68	129.63	113.65
From: Chatham, ON	Track			112.90	107.25	105.62	110.07
To: Montreal, QC	Track			136.77	131.12	129.49	133.94

Soymeal 48% Protein							
From: Hamilton, ON							
To: Montreal, QC	Track			228.07	216.60	207.01	246.09
Moncton, NB	Track			252.40	240.93	231.34	270.42
Truro, NS	Track			271.15	259.68	250.09	289.17
Stephenville, NL	Track / Truck via Sydney			274.37	262.90	253.31	292.39
				233.00	311.53	301.94	341.02

- Prices include ONE month of storage and interest charges
- Thunder Bay prices are based on the Winnipeg Commodities Exchange market close (Cash price)

Source: Market Analysis Division, Agriculture and Agri-Food Canada

Contact: André Dombé: Statistical Clerk (204) 983-0581 Fax: (204) 983-5524 e-mail: dombear@agr.gc.ca

Footnotes: All prices quoted in Canadian dollars per metric tonne.

Grain grades (unless otherwise specified) are: Canada Western Feed Wheat, Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn.

Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec.

Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable

CANADA: GRAINS AND OILSEEDS SUPPLY AND DISPOSITION

December 9, 2005

Grain and Crop Year (a)	Area		Yield t/ha	Production	Imports	Total	Exports	Food & Industrial Use (e)	Feed, Waste & Dockage	Total Domestic Use (d)	Carry-out	Average
	Seeded	Harvested			(b)	Supply	(c)	thousand metric tonnes	thousand metric tonnes	thousand metric tonnes	Stocks	Price (f) \$/t
-----000 ha-----												
Durum												
2003-2004	2,483	2,459	1.74	4,280	1	5,900	3,427	252	219	683	1,789	224.21
2004-2005	2,230	2,141	2.32	4,962	1	6,752	3,218	257	533	1,013	2,521	201.10
2005-2006f	2,341	2,297	2.58	5,915	1	8,436	3,700	260	778	1,236	3,500	183 *
Wheat Except Durum												
2003-2004	8,179	8,009	2.41	19,272	16	23,395	12,299	2,775	3,223	6,805	4,291	206.03
2004-2005	8,169	7,722	2.71	20,898	13	25,203	11,593	2,791	4,574	8,138	5,471	189.99
2005-2006f	7,784	7,530	2.77	20,860	15	26,347	13,200	2,800	4,070	7,747	5,400	194 *
All Wheat												
2003-2004	10,662	10,467	2.25	23,552	18	29,295	15,727	3,027	3,442	7,488	6,080	
2004-2005	10,339	9,862	2.62	25,860	14	31,955	14,812	3,048	5,107	9,151	7,992	
2005-2006f	10,125	9,826	2.72	26,775	16	34,783	16,900	3,060	4,848	8,983	8,900	
Barley												
2003-2004	5,046	4,446	2.77	12,328	36	13,838	2,456	287	8,579	9,280	2,102	135.80
2004-2005	4,678	4,050	3.26	13,186	83	15,371	1,863	263	9,362	10,019	3,489	112.15
2005-2006f	4,440	3,889	3.21	12,481	30	16,000	2,400	360	9,850	10,600	3,000	100-120
Corn												
2003-2004	1,265	1,226	7.82	9,587	2,108	12,805	353	2,415	8,882	11,310	1,143	137.18
2004-2005	1,185	1,072	8.24	8,837	2,422	12,401	242	2,395	7,951	10,358	1,802	100.68
2005-2006f	1,124	1,096	8.63	9,461	1,800	13,062	200	2,450	8,897	11,362	1,500	90-110
Oats												
2003-2004	2,272	1,575	2.34	3,691	19	4,234	1,557	140	1,581	1,888	788	136.65
2004-2005	1,995	1,315	2.80	3,683	26	4,497	1,675	110	1,568	1,834	988	130.68
2005-2006f	1,853	1,326	2.59	3,432	15	4,435	1,600	140	1,575	1,885	950	125-145
Rye												
2003-2004	246	147	2.22	327	0	352	172	47	47	112	68	104.44
2004-2005	284	165	2.53	418	1	487	122	48	155	220	145	70-80
2005-2006f	223	148	2.42	359	1	505	150	48	170	235	120	65-85
Mixed Grains												
2003-2004	241	135	2.84	384	0	384	0	0	384	384		
2004-2005	220	111	2.87	318	0	318	0	0	318	318		
2005-2006f	209	109	2.78	303	0	303	0	0	303	303		
Total Coarse Grains												
2003-2004	9,070	7,529	3.50	26,317	2,162	31,613	4,538	2,889	19,474	22,975	4,101	
2004-2005	8,362	6,713	3.94	26,442	2,531	33,074	3,901	2,817	19,354	22,749	6,424	
2005-2006f	7,850	6,568	3.96	26,036	1,846	34,306	4,350	2,998	20,796	24,386	5,570	
Canola												
2003-2004	4,736	4,689	1.44	6,771	243	7,908	3,754	3,390	113	3,545	609	387.04
2004-2005	5,319	4,938	1.57	7,728	108	8,444	3,412	3,031	328	3,403	1,629	309.15
2005-2006f	5,491	5,253	1.84	9,660	150	11,440	4,500	3,300	595	3,940	3,000	245-285
Flaxseed												
2003-2004	745	728	1.04	754	20	903	609	n/a	n/a	202	93	382.13
2004-2005	728	528	0.98	517	38	648	468	n/a	n/a	150	30	n/a
2005-2006f	842	803	1.35	1,082	20	1,132	700	n/a	n/a	232	200	275-315
Soybeans												
2003-2004	1,051	1,047	2.17	2,268	587	3,000	914	1,500 ^{1/}	319	1,947	140	395.04
2004-2005	1,229	1,178	2.59	3,048	393	3,581	1,122	1,610 ^{1/}	457	2,190	270	248
2005-2006f	1,176	1,169	2.70	3,161	250	3,681	1,150	1,750 ^{1/}	421	2,281	250	205-245
Total Oilseeds												
2003-2004	6,531	6,464	1.52	9,794	850	11,811	5,277	n/a	n/a	5,693	841	
2004-2005	7,277	6,643	1.70	11,293	539	12,673	5,002	n/a	n/a	5,743	1,929	
2005-2006f	7,510	7,225	1.92	13,904	420	16,253	6,350	n/a	n/a	6,453	3,450	
Total Grains And Oilseeds												
2003-2004	26,263	24,461	2.44	59,663	3,029	72,719	25,541	n/a	n/a	36,156	11,022	
2004-2005	26,038	23,219	2.74	63,596	3,084	77,702	23,715	n/a	n/a	37,643	16,345	
2005-2006f	25,484	23,620	2.82	66,715	2,282	85,341	27,600	n/a	n/a	39,821	17,920	

(a) August - July crop year except corn and soybeans which are September - August.

(b) Excludes imports of products. (c) Includes exports of products for wheat, oats, barley, and rye. Excludes exports of oilseed products.

(d) Total Domestic Use = Food and Industrial Use + Feed Waste & Dockage + Seed Use

(e) Industrial use excludes flaxseed due to data confidentiality.

(f) Crop year average prices: No. 1 CWRS 11.5% protein and No. 1 CWAD 11.5% (CWB final price I/S St. Lawrence/Vancouver), Barley (No. 1 feed, WCE, cash, I/S Lethbridge), Corn (No. 2 CE, cash, I/S Chatham), Oats (US No. 2 Heavy, CBoT nearby futures); Rye (No. 2 Canada, Elevator bids at select western delivery points); Canola (No. 1 Canada, WCE, cash, I/S Vancouver); Flaxseed (No. 1 CW, WCE, cash, I/S Thunder Bay); Soybeans (No. 2, I/S Chatham).

* CWB Pool Return Outlook (PRO) - November 26, 2005

^{1/} Source for Food and Industrial Use is based on data from the Canadian Oilseed Processors Association.

F: forecast - Agriculture and Agri-Food Canada - December 9, 2005

Source: Statistics Canada, Cereals and Oilseeds Review Series, Cat. No. 22-007



CANADA: GRAINS AND OILSEEDS OUTLOOK

December 9, 2005

For 2005-06, Canadian grain and oilseed (G&O) production is estimated by Statistics Canada to increase to 66.7 million tonnes (Mt), versus 63.6 Mt in 2004-05 and the 10-year average of 59.2 Mt. Production in western Canada increased by 5% from 2004-05, to 50.8 Mt, as a result of higher yields and a larger harvested area. The quality of the wheat and barley crops has been reduced by the wet harvest conditions, with a below-normal proportion in the top grades. Oilseed quality, however, is good. In eastern Canada, production increased by 3% to 15.9 Mt, due to increased harvested area and above-average yields. For 2005-06, the total supply of grains and oilseeds in Canada has risen to a record 85.3 Mt, from 77.7 Mt in 2004-05, because of higher production and significantly larger carry-in stocks. Exports are forecast to increase by 16% to 27.6 Mt due to increased supply and improved quality. Total domestic usage is also forecast to increase but carry-out stocks are forecast to rise by 10% to a historically high 17.9 Mt. World wheat prices are forecast to increase slightly from 2004-05, while soybean and corn prices are expected to decline. Prices in Canada will continue to be pressured by the strong Canadian dollar. The major factors to watch are: import demand from China, EU export subsidies, ocean freight rates, the Canadian trade investigations into imports of US corn, and the Canada/US exchange rate.

WHEAT (ex-durum)

For 2005-06, production is unchanged from the previous year, remaining about 5% above the 10-year average. Despite a decline in area, yield reached a record 2.77 t/ha (41 bu/ac), 18% above the 10-year average. Total supply is up by 5%, due to larger carry-in stocks. The percent of the crop falling into the top grades is estimated to be lower than normal, although better than in 2004-05, and the carry-in stocks are also estimated to be mainly of lower grades. As a result of increased supplies of milling quality wheat, exports are forecast to rise by 14%. Much of the lower quality wheat is expected to be absorbed by the domestic feed industry. Carry-out stocks are forecast to decline marginally. The Canadian Wheat Board (CWB) November Pool Return Outlook (PRO) rose for the 4th consecutive month and is now above 2004-05 for most grades and classes. Protein premiums are forecast to decline slightly from last year, but remain above the previous 3 years.

DURUM

Production increased by 19%, to a near-record 5.9 Mt, as a result of a record yield of 2.58 t/ha (38 bu/ac), 27% above the 10-year average. Total supply is up by 25% at a record 8.4 Mt. Exports are expected to increase by 15% due to dryness in North Africa and southern Europe, as well as reduced area in the EU resulting from policy changes. However, further growth in durum export potential is limited at this time. Carry-out stocks are projected to rise by almost 40% to a record 3.5 Mt, about three-quarters of a normal crop over the past decade. Farm-held stocks are forecast to double, to a record 2.0 Mt. The CWB accepted only 50% of the durum offered in Delivery Series A, and it is unlikely that all durum offered in the B and C Series will be accepted. The CWB 2005-06 November PRO is well below 2004-05 for all grades, due to the larger supplies in both the US and Canada. For the first time since 1990-91, pool returns for durum are expected to be below those for similar quality CWRS wheat.

BARLEY

Production decreased by 5% from 2004-05, as a result of lower area and yields. Total supply, however, is up by 4% due to high carry-in stocks resulted from the large production of low-quality barley in 2004-05. The quality of the 2005-06 crop is estimated to be below normal. Exports are forecast to rise by 29% due to higher feed barley exports. Carry-out stocks are expected to drop significantly. The off-Board feed barley price is forecast to decline marginally. Malting barley prices will be pressured by higher world production, with the CWB PRO for Special Select 2-Row down by \$/t from 2004-05 to \$172/t.

OATS

Production decreased by 7% due to lower yields. Total supply is down marginally, as lower production more than offsets higher carry-in stocks. Exports are forecast to decrease slightly because of lower US import demand. Carry-out stocks are expected to decrease. Feed oat prices are forecast to be \$/t higher than in 2004-05.

CORN

Production increased by 7% because of higher yields and harvested area. Since carry-in stocks are significantly higher than for 2004-05, domestic supply is up by 13%. Corn imports, mainly from the US into eastern Canada, are expected to decrease by 26%. Industrial Use is forecast to rise, as a result of increased ethanol production. Canadian prices are expected to be similar to 2004-05, as stronger domestic demand offsets lower US corn prices and the strong Canadian dollar.

CANOLA

Production increased by 25% to a record 9.7 Mt, due to higher area and significantly higher yields which resulted from ideal growing conditions across the western prairies. Total supply is expected to increase by 35% because of sharply higher carry-in stocks. Crop quality and oil content is

significantly above normal. Domestic crush is expected to increase by 9% due to lower canola prices. Exports are forecast to rise by 32% because of decreased competition from the EU-25. Carry-out stocks are forecast to increase sharply, to a record 3.0 Mt. The average price is forecast to fall, under pressure from burdensome carry-out stocks in Canada and from low soybean prices in the US.

FLAXSEED (excluding solin)

Production more than doubled to 1.1 Mt, reaching the highest level since 1998-99, due to significantly higher seeded area and sharply higher yields. Total supply is expected to rise by 75%. Exports are forecast to increase sharply on support from high domestic supplies, steady EU demand and higher crude oil prices. Carry-out stocks are expected to rise sharply, but are not be burdensome. The average price is expected to decline.

SOYBEANS

Production increased by 4% to a record 3.2 Mt due to higher yields. Domestic supply is estimated to increase by 6% and imports are forecast to decrease. Domestic use is expected to rise to near record levels. Exports are forecast to increase to a record high because of strong exports of edible soybeans. The average Chatham price is forecast to fall, as a result of weaker world soybean prices and the strong Canadian dollar.

FURTHER INFORMATION:

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Bi-weekly Bulletin

December 16, 2005 Volume 18 Number 20

DURUM WHEAT: 2005-2006 SITUATION AND OUTLOOK

Prices for durum wheat are expected to decline relative to those for non-durum wheat in 2005-2006 due to sharply higher supplies in Canada and the United States (US), the major durum-exporting countries. Canadian Wheat Board (CWB) pool returns for durum are expected to be below those for similar quality Canada Western Red Spring (CWRS) wheat for the first time since 1990-1991. This issue of the *Bi-weekly Bulletin* examines the situation and outlook for durum wheat.

Demand Considerations

Durum wheat (*Triticum durum*) has unique characteristics making it a "specialty wheat" in world wheat markets. The substitutability of common wheat (*t. aestivum*) for durum wheat is therefore limited, while durum is unsuited for many of the products produced from common wheat. The major durum products are pasta and couscous, a staple food in North Africa. Good quality durum has a very hard vitreous (glassy) kernel (HVK), with an amber yellow endosperm, while common wheat, even hard red spring wheat, is less vitreous and has a white endosperm. Durum pasta maintains a firm texture when cooked, and its natural amber colour is associated with good quality pasta. It should be noted that Asian-style noodles are made from common wheat, not durum. In Europe and North America, pasta products (spaghetti, macaroni, etc.) are generally produced exclusively from durum semolina, although other countries traditionally have used common wheat or durum blends to produce pasta. New production technology, such as high temperature drying, has improved the quality of pasta that can be made from common wheat, but discriminating pasta

consumers continue to prefer pasta made from 100% durum wheat. In North Africa, durum is preferred for the production of couscous. While durum is also used for bread production in some countries, particularly North Africa, this usage is quite limited in terms of total world durum utilization.

As a result of these unique characteristics, the demand for durum tends to be quite inelastic, meaning that a small shortage of durum can result in a large increase in durum premiums over common wheat while slightly excessive supplies can result in sharp price declines. Even if global supplies of common wheat are abundant, a shortage of durum can result in high durum prices, as most end-users are unwilling to switch to common wheat. Conversely, because the market beyond traditional pasta and couscous production is limited, a relatively small increase in durum production can result in large durum price declines.

Production Considerations

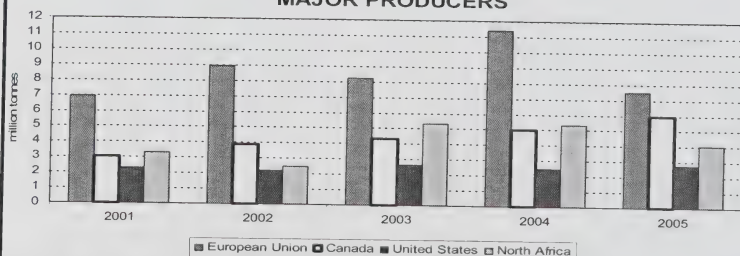
The best quality durum is produced in regions having a relatively dry climate, with hot days and cool nights during the growing

season. Durum wheat also yields relatively well under dry conditions, compared to many alternative crops. Durum produced under higher moisture conditions tends to have a low HVK count, and sprouting and fungal diseases are also more common. Due to its development under a dry climate, durum has little natural resistance to these downgrading factors. Durum production and consumption was historically concentrated in the hot dry regions around the Mediterranean Sea. North Africa, southern Europe, Turkey, and Syria remain major durum producing regions, but production has expanded into North America, where a suitable climate is found in the major growing regions of western North Dakota and Montana in the US, and southern Saskatchewan and Alberta in Canada.

World Situation and Outlook

World durum production for 2005-2006 is estimated at 35.9 million tonnes (Mt)¹, an 11% decrease from 2004-2005. However, major exporter² carry-in stocks have almost doubled, to 5.3 Mt, the highest in more than a decade. As a result, supplies in the three major exporting countries are unchanged at 21.5 Mt, which is 2.1 Mt above the 10-year average. The decrease in production for 2005-2006 is mainly the result of smaller crops in the European Union (EU), Algeria and Morocco, with Canadian and US production increasing. World durum usage in 2005-2006 is projected to be less than production, so that major exporter durum stocks are forecast to rise by a further 10%, to 5.9 Mt, 45% above the 10-year average. This has placed significant downward pressure on world durum prices.

WORLD DURUM PRODUCTION:
MAJOR PRODUCERS

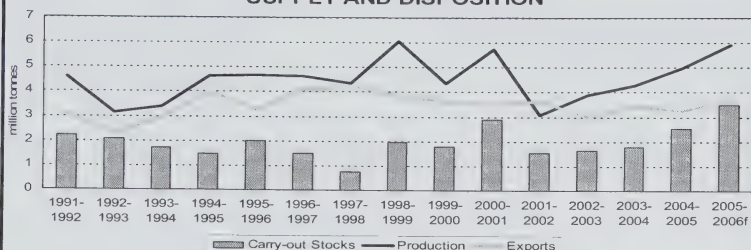


Source: International Grains Council, November 2005 except Canada which is Statistics Canada December 2005

¹ International Grains Council November 2005 except Canada which is Statistics Canada December 2005

² Canada, United States and European Union

CANADA: DURUM WHEAT SUPPLY AND DISPOSITION



F. AAFC forecast, December 2005
Source: Statistics Canada

MAJOR EXPORTERS

CANADA

Supply

Western Canadian farmers planted 2.34 million hectares (Mha) of durum in 2005, 5% above the previous year and equal to the 10-year average. However, growing conditions were good, and abandonment was below normal, so that harvested area rose by 7%, to 2.30 Mha. With above-normal moisture, yields on the harvested area were well above the 10-year average of 2.03 tonnes per hectare (t/ha) (30 bushels per acre {bu/ac}), with western Canadian durum yields in 2005 estimated by Statistics Canada at a record 2.58 t/ha (38 bu/ac). As a result, production rose by 19%, to 5.9 Mt. The higher production was compounded by sharply higher carry-in stocks, which rose by 41% to 2.5 Mt. As a result, supplies are 25% higher than for 2004-2005, at a record 8.4 Mt.

Quality

Due to excess rain at harvest, which resulted in sprouting, bleaching and mildew, the quality of the 2005 durum crop is reported to be well below normal, with less than half the crop grading No.2 Canada Western Amber Durum (CWAD) or higher, well below the 10-year average of almost 70%, although better than in 2004, when only about a third of the crop was of this quality. Protein content is near-normal, with No.1 and 2 CWAD averaging about 12.7% protein (13.5% moisture basis), similar to 2004 and the 10-year average.

Exports

Due to increased world export demand and increased supplies of the top quality grades of durum compared to 2004-2005, Canadian exports (including semolina) are forecast to rise by 15%, to 3.7 Mt, the highest since 1998-1999. With decreased production in North Africa, import demand from this major market has risen, and Canada has been in a position to take advantage of this market opportunity. Canadian exports to North

Africa are forecast at about 1.1 Mt in 2005-2006, up from 0.9 Mt in 2004-2005. Durum production in the EU is also down from 2004-2005, but large carry-in stocks will moderate the need for imports. Canadian durum exports to the EU are forecast to decline by about 20% from 2004-2005, to about 0.8 Mt (August-July). The US durum crop is 11% larger in 2005, and is of good quality, so that imports from Canada are expected to remain relatively unchanged at about 0.4 Mt in 2005-2006. Exports to South America are expected to increase slightly. Canada is expected to capture a 47% share of the world durum market in 2005-2006, up from 45% the previous year but below the 10-year average of 50%.

Carry-out Stocks

It is unlikely that the CWB will be able to accept deliveries of all durum offered by farmers in 2005-2006, and farm held carry-out stocks are forecast to rise sharply compared to 2004-2005. The CWB has accepted only 50% of the durum offered under the Series A delivery contract, and it is expected that the acceptance of the Series B and C contracts will also be less than 100%, particularly for the lower grades. Farm-held stocks as of July 31, 2006 are forecast at a record 2.0 Mt, double that on July 31, 2005 and 4 times the 10-year average of 0.5 Mt. Total carry-out stocks are forecast to rise by almost 40% to a record 3.5 Mt.

UNITED STATES

Supply

North Dakota farmers increased their durum area by 13% in 2005, to 2.0 million acres (Mac), which accounted for 72% of total US durum area, down slightly from the 10-year average of 79%. Durum production has been shifting westward due to disease problems in eastern ND, and Montana area was 0.57 Mac in 2005, unchanged from 2004 but 21% of the total, versus the average of 13%. Total US seeded area for 2005 was up by 7%, at 2.7 Mac, but this remained well below the 10-year average of

3.3 Mac. The average yield in 2005 was slightly above-average at 37 bu/ac, but lower than in 2004. As a result, US production is up by 11% from 2004, at 100 million bushels (Mbu) (2.7 Mt), equal to the 10-year average. Carry-in stocks are 44% higher than for last year, resulting in a 19% increase in domestic supplies, to 138 Mbu (3.7 Mt), the highest since 2000-2001.

Trade and stocks

The United States Department of Agriculture (USDA) projects that US durum exports (June-May) will be 30 Mbu or 0.82 Mt (including products). As of December 1, 2005, US durum exports (including outstanding sales) were 0.48 Mt, up by 7% from the same date in 2004-2005. US carry-out stocks are projected to surge by over 50%, to 58 Mbu (1.6 Mt), the highest since 1990-1991, mirroring the movement in Canadian durum stocks.

EUROPEAN UNION

Supply

The EU-25 is the largest durum producing region in the world, with production concentrated in Italy, Spain, France, and Greece. However, it is also the largest consumer of durum, and since the early 1990s it has been a significant net importer of durum wheat. EU durum area decreased in 2005 due to changes to the support programs for durum under the Common Agricultural Policy (CAP), which have made it a less attractive crop to produce compared to alternative crops, and yields were below normal. As a result of these program changes and lower yields, EU production dropped by 34%, to 7.5 Mt. This has been partly offset by higher carry-in stocks, which have risen from 0.3 Mt to 1.8 Mt, the highest since 1993-1994. The combined impact has resulted in a 20% decrease in EU domestic durum supplies, to 9.3 Mt, equal to the 10-year average.

Trade and stocks

The International Grains Council (IGC) forecasts a 28% increase in EU import requirements, to a record 2.3 Mt. The EU has imported an average of 0.7 Mt of durum from Canada over the past 5 years, an increase of 75% over the past decade. Imports from Canada reached a record 1.4 Mt in 2003-2004, for a 66% share of the EU market, before declining to 1.0 Mt (55% share) in 2004-2005, partly due to a shortage of top quality durum in Canada. For 2005-2006, this is forecast to decrease to about 0.8 Mt with Canada expected to lose market share in the EU to both the US and Australia as top quality supplies decline further. EU durum exports are expected to drop sharply, from 1.2 Mt in 2004-2005 to 0.5 Mt in 2005-2006 (including semolina).

THE EU-25 2003 COMMON AGRICULTURAL POLICY REFORM

The June 2003 CAP reforms introduced the "Single Payment Scheme" (SPS) that decouples aid payments beginning in 2005 and replaces many (but not all) of the former direct aids. There is provision for some product-specific aid payments to continue, where Member States believe there may be an undesirable reduction of production by a move to the SPS. They may apply a number of options, at a national or regional level, but only under well-defined conditions and within clear limits, and alongside continuing market stabilisation measures. These states may retain up to 40% of the supplementary durum wheat aid in order to continue the existing coupled per hectare payments up to those percentage levels. The aid supplement for durum wheat in traditional production zones will be paid independently from production (within national and regional base areas established for this production in the 6 producer countries). Member States may decide to keep 40% linked to production. The aid is fixed at €313/ha in 2004, €291/ha in 2005 and €285/ha from 2006 onwards, and is included in the SPS from 2005 onwards. The specific aid for other regions where durum wheat was supported will be phased out. The cuts will be implemented over 3 years, starting in 2004 (€93/ha in 2004, €46/ha in 2005 and zero for 2006 onwards). From 2004-2005, a quality premium of €40/hectare was introduced, subject to the use of certified seed of varieties recognized as being of high quality.

No EU export subsidies for durum are expected in 2005-2006. EU durum carry-out stocks are expected to fall by 55%, to 0.8 Mt.

OTHER PRODUCERS

The other major durum producing countries are Turkey, Syria, Kazakhstan, India, Australia, and Mexico.

Turkey is normally the third largest durum producer in the world, next to the EU and Canada, with production averaging 3.0 Mt over the past 5 years. Turkey is not a major exporter of durum wheat, shipping an average of about 0.1 Mt over the past 5 years. However, Turkey has a large pasta industry and is a major exporter of pasta. Small quantities of durum, averaging 20,000 tonnes a year, are imported to supplement domestic production, especially in years with a poor quality domestic crop. In 2005-2006, Turkish production is estimated at 2.9 Mt, with exports forecast at 0.2 Mt. Turkey is not a major Canadian market, tending to source its imports from the EU and the US.

Syrian durum production averages about 2.5 Mt, and this country has become a significant durum exporter, with 5-year average exports of 0.5 Mt and with 2005-2006 exports forecast at a record 0.8 Mt.

Mexican durum production has doubled over the past 10 years, from 0.5 Mt in the mid-1990's to 1.0 Mt over the past 5 years. Production is forecast at 1.1 Mt in 2005-2006, unchanged from the previous year. Some Mexican durum is exported, averaging 0.4 Mt over the past 5 years, with 2005-2006 exports forecast at 0.4 Mt.

Australian durum production has risen from virtually zero in 1990 to about 0.5 Mt today. Production for 2005-2006 is unchanged from 2004-2005 at 0.5 Mt. Australia has become a significant durum exporter, with 0.5 Mt forecast to be exported in 2005-2006, targeting the Italian market.

Kazakhstan durum production averages about 2.4 Mt annually, with 2.4 Mt produced in 2005-2006. Most Kazakhstan durum is consumed within the Former Soviet Union.

Indian durum production was 1.2 Mt in 2005-2006, unchanged from the previous year. Durum is used domestically for the production of atta flour. No Indian durum is expected to be exported, due to low quality and inadequate segregation in the handling system.

MAJOR IMPORTERS

North Africa

The four North African countries of Algeria, Morocco, Tunisia, and Libya constitute the largest durum import market in the world. Durum based foods are a cultural tradition in these countries, where most durum is consumed in the form of couscous, which consists of small grain-like balls of semolina steamed and prepared in a manner similar to rice. Traditional breads are also made with durum flour, particularly in Morocco. Domestic production is insufficient to meet requirements, and imports have averaged 3.0 Mt over the past 5 years, representing about 45% of annual consumption. Grain production in this region next to the Sahara Desert is largely dependent on winter rains, which are often unreliable, and as a result durum production is quite variable, ranging over the past decade from a high of 6.0 Mt

in 1996-1997 to a low of 1.7 Mt in 2000-2001. Production for 2005-2006 is estimated by the IGC at a near-average 4.0 Mt, down from 5.3 Mt the previous year. Imports are forecast to increase by 13% compared to 2004-2005, to 3.1 Mt. Canadian exports to North Africa are forecast at about 1.1 Mt in 2005-2006, up from 0.9 Mt in 2004-2005, maintaining a one-third share of total regional imports. As of October 31, 2005, Canadian exports to North Africa were 0.20 Mt, versus 0.32 Mt a year earlier.

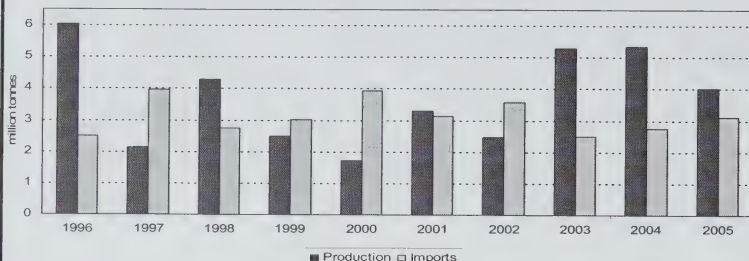
Other Importers

The other major durum importing countries are Japan, Venezuela, Peru, and Chile. The South American countries are a potential growth market for Canadian durum. Pasta has traditionally been produced from common hard wheat in many of these countries. However, through market development work by the CWB, the Canadian Grain Commission, and the Canadian International Grains Institute, Canadian durum exports into South America have increased over the last decade, from less than 0.3 Mt in the early 1990s, to 0.5 Mt in the 2000 to 2004 period. Exports to this region were slightly below-normal in 2004-2005 due to poor quality, but Agriculture and Agri-Food Canada (AAFC) forecasts that South American imports of Canadian durum will increase slightly for 2005-2006, to about 0.6 Mt. Durum imports by Japan have been stable at about 0.2 Mt over the past decade, and are expected to remain near this level for 2005-2006. Canada supplies the bulk of the durum imported by the Japanese market.

COOKING COUSCOUS

The couscous sold in most western supermarkets has been pre-steamed and dried, and just requires adding a little boiling water to prepare it for consumption. Pre-steamed couscous takes less time to prepare than dried pasta or rice. The traditional North African method is to use a steamer (called a *couscoussière* in French). The base is a tall metal pot in which the meat and vegetables are cooked in a stew. On top of the base a steamer sits where the couscous is cooked, absorbing the flavours from the stew. In Algeria, Tunisia and Morocco, couscous is generally served with vegetables cooked in a spicy or mild broth, and some meat.

NORTH AFRICA: DURUM PRODUCTION AND IMPORTS



Source: International Grains Council, November 24, 2005

PRICE FORECASTS

Although world durum prices have been supported by the smaller EU and North African crops, this has been more than offset by larger crops in Canada and the US. The No.3 Hard Amber Durum (3 HAD) export price FOB Gulf is expected to average US\$180 per tonne (t) in 2005-

2006, 6% below the average of US\$192/t in 2004-2005 (August-July).

Canada

Canadian prices for durum wheat have been pressured by both the declining world price and the strengthening Canadian dollar. The dollar is forecast to average about US\$0.85 for 2005-2006, compared to US\$0.81 in 2004-2005. In Canadian dollars, the US 3 HAD Gulf price is forecast at CAN\$212/t, versus CAN\$238/t in 2004-2005, an 11% decline. The CWB 2005-2006 November Pool Return Outlook (PRO) for No.1 CWAD with 11.5% protein is \$183/t in-store Vancouver/St. Lawrence, 9% lower than in 2004-2005. A discount of \$11/t to No.1 CWRS 11.5% is forecast, versus a premium of \$11/t the previous crop year. A western Canadian average on-farm price of about \$136/t for No.1 CWAD 11.5% is expected, compared to \$155/t in 2004-2005.

OUTLOOK FOR 2006-2007

The outlook for 2006-2007 is very tentative at this time, as the majority of the world durum crop is spring seeded, so that seeded areas will not be known until about June, 2006. In both Canada and the US, durum area is expected to decline, due to low

prices in 2005-2006 and burdensome stock levels. However, durum producers often do not react significantly to current market conditions, as the crop stores well and significant premiums over non-durum wheat are expected to return in the future.

Therefore, the declines are not expected to be large. In the EU, area is expected to remain near the below-average 2005 level, due to the CAP reforms, but with a return to normal yields, a small increase in production is possible. In North Africa, a normal durum crop is currently expected. AAFC is projecting a small decline in total world durum production for 2006-2007, but exportable supplies are expected to be relatively unchanged due to large exporter carry-in stocks. A small decline in exporter carry-out stocks is projected, which may provide some price support. However, the continuing large supplies make any large price rally unlikely unless production problems are experienced in a major producing region.

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COST OF DURUM IN 1 KILOGRAM (kg) OF PASTA

A 1 kg package of pasta currently contains about 25 cents worth of durum. This calculation is based on the assumptions that 1.0 kg of durum yields 0.74 kg of semolina, 1 kg of pasta can be produced from 1 kg of semolina, and that the price for No.1 CWAD durum in-store Thunder Bay is \$207/tonne or \$5.63/bu (as of December 9, 2005). Deducting transportation costs, this would equate to a return of about \$5/bu for a Saskatchewan farmer. A 1 kg package of pasta can be produced from about 1.35 kg of durum. As a bushel of durum weighs about 27 kg, 20 packages of pasta can be produced from one bushel, equal to \$0.25 per 1 kg package of pasta.

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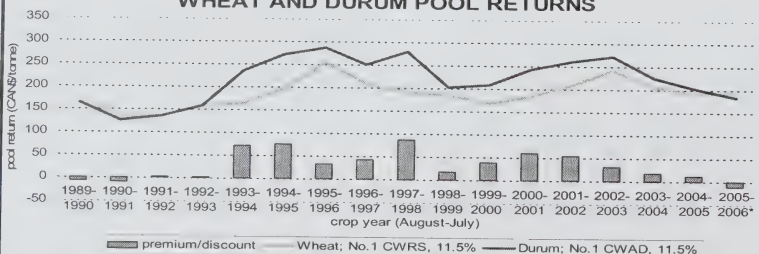
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CANADIAN WHEAT BOARD: WHEAT AND DURUM POOL RETURNS



* Canadian Wheat Board November 2005 Pool Return Outlook; in-store Vancouver or St. Lawrence
Source: Canadian Wheat Board

While the Market Analysis Division assumes responsibility for all information contained in this bulletin,
we wish to gratefully acknowledge input from the following:
Canadian Wheat Board, Market and Industry Services Branch (AAFC)

B. CASH PRICES AND REPLACEMENT VALUES

October 17, 2005

PRAIRIE GRAINS

Selected Points	Price Basis		This week 17-Oct-05	Last week 3-Oct-05	Month ago 20-Sep-05	Year ago 18-Oct-04
From: Thunder Bay(WCE) (2)	In-Store	Wheat	110.00	108.00	108.00	103.00
(CBOT)		Oat	167.25	161.50	160.25	143.20
(Lethbridge)		Barley	107.50	107.00	108.00	111.00
To: Bayport, ON (1)	In-store	Wheat	133.61	131.61	131.61	126.61
		Oat	N/A	N/A	N/A	N/A
		Barley	134.89	134.39	135.39	138.39
Montreal, QC (1)	In-store	Wheat	138.03	136.03	136.03	131.03
		Oat	N/A	N/A	N/A	N/A
		Barley	139.81	139.31	140.31	143.31
Moncton, NB	Truck via Halifax	Wheat	160.25	158.25	158.25	153.25
		Oat	N/A	N/A	N/A	N/A
		Barley	164.00	163.50	164.50	167.50
Truro, NS	Truck via Halifax	Wheat	154.22	152.22	152.22	147.22
		Oat	N/A	N/A	N/A	N/A
		Barley	161.50	161.00	162.00	165.00
Halifax, NS (1)	In-store	Wheat	145.28	143.28	143.28	138.28
		Oat	N/A	N/A	N/A	N/A
		Barley	147.80	147.30	148.30	151.30
Stephenville, NL	Track / Truck via Sydney	Wheat	208.63	206.63	206.63	201.63
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A
Melfort, SK		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Bayport, ON		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Montreal, QC		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Moncton, NB		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Truro, NS		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track / Truck via Sydney	Barley	N/A	N/A	N/A	N/A
Stephenville, NL		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A

Selected Points	Price Basis		This week 17-Oct-05	Last week 3-Oct-05	Month Ago 20-Sep-05	Year ago 18-Oct-04
Corn						
From: US Lake Port	On Board Vessel		85.65	82.51	86.32	103.01
To: Montreal, QC (1)	In-store		104.69	101.55	105.36	122.05
From: Chicago (IL)	Track		84.95	84.79	86.32	105.47
To: Montreal, QC	Track		113.81	113.65	115.18	134.33
From: Chatham, ON	Track		109.97	110.07	105.65	116.27
To: Montreal, QC	Track		133.84	133.94	129.52	140.14

Soymeal 48% Protein						
From: Hamilton, ON			252.84	246.09	256.06	237.10
To: Montreal, QC	Track		277.17	270.42	280.39	261.43
Moncton, NB	Track		295.92	289.17	299.14	280.18
Truro, NS	Track		299.14	292.39	302.36	283.40
Stephenville, NL	Track / Truck via Sydney		347.77	341.02	350.99	332.03

- Prices include ONE month of storage and interest charges
- Thunder Bay prices are based on the Winnipeg Commodities Exchange market close (Cash price)

n/a = not available

Source: Market Analysis Division, Agriculture and Agri-Food Canada

Contact: André Doumbé: Statistical Clerk (204) 983-0581 Fax: (204) 983-5524 e-mail: doumbea@agr.gc.ca

Footnotes: All prices quoted in Canadian dollars per metric tonne.

Grain grades (unless otherwise specified) are: Canada Western Feed Wheat, Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn.

Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec.

Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable

A. SELLING PRICE OF BULK FEED INGREDIENTS AT SELECTED POINTS																		October 17, 2005					
SELECTED POINT	REFERENCE PERIOD	PRICE BASIS	(1) WHEAT	OATS	BARLEY	CORN	PRICE BASIS	SOYBEAN MEAL	CANOLA MEAL	MILL-FEEDS	MEAT MEAL	FISH MEAL	ANIMAL FAT	GLUTEN MEAL	GLUTEN FEED	FEED PEAS	DEHY ALFALFA	FEATHER MEAL					
Vancouver	October 17, 2005	FOB	126.00	N/A	128.00	134.50		267.50	150.00	115.00		857.50	460.00					415.00					
BC (4) (7)	October 17, 2005	FOB	126.00	N/A	128.00	133.00		262.00	144.00	115.00		857.50	460.00					405.00					
Calgary	October 17, 2005	FOB	104.00	N/A	104.00	N/A		261.00			160.00	975.00	495.00					390.00					
AB (4)	October 11, 2005	FOB	104.00	N/A	104.00	N/A		261.00			130.00	975.00	495.00					390.00					
Saskatoon	October 17, 2005	FOB	91.00	120.00	80.00	N/A		264.00	N/A		160.00	N/A	495.00					430.00					
SK (4)	October 11, 2005	FOB	89.50	118.00	81.00	N/A		258.00	N/A		135.00	N/A	495.00			113.33		430.00					
Winnipeg	October 17, 2005	FOB	134.00	140.00	108.50	N/A		251.00	N/A		290.00	1017.50	525.00			113.67		430.00					
MB (4) (9)	October 11, 2005	FOB	132.50	140.00	108.50	N/A		251.00	N/A		290.00	1017.50	525.00					370.00					
Thunder Bay	October 17, 2005	In-Store	108.30	N/A	104.25	N/A		247.00	N/A		290.00	1017.50	525.00					370.00					
ON (8)	October 11, 2005		108.00	N/A	103.95																		
Lake Ports	October 17, 2005	On Board																					
USA (3)	October 11, 2005	Vessel				85.65																	
Bay Ports	October 17, 2005	In-Store	139.00	200.00	124.00		87.05																
ON	October 17, 2005		139.00	200.00	124.00																		
Chatham	October 17, 2005	Track				109.97																	
ON	October 11, 2005					105.65																	
Toronto	October 17, 2005	N/A					FOB				187.00	N/A	450.00	425.00	114.00		270.00	470.00					
ON (5)	October 11, 2005	N/A						252.84	N/A		187.00	N/A	450.00	425.00	114.00		270.00	480.00					
Hamilton	October 17, 2005							240.71	N/A														
ON	October 11, 2005	FOB				101.93																	
Eastern	October 17, 2005	FOB				105.50																	
ON	October 11, 2005																						
London	October 17, 2005	FOB												425.00	114.00								
ON	October 11, 2005													425.00	114.00								
Port Colborne	October 17, 2005	FOB								53.00				425.00	114.00								
ON	October 11, 2005	FOB								52.00				425.00	114.00								
Cardinal	October 17, 2005	FOB												425.00	114.00								
ON	October 11, 2005													425.00	114.00								
Montreal	October 17, 2005		150.00	140.00	142.00	115.00		270.67	190.50	67.67	310.00	850.00	434.00	425.00	114.00		270.00	415.00					
QC (5)	October 11, 2005		150.00	140.00	142.00	115.00	FOB	261.30	179.00	72.67	248.00	850.00	443.50	425.00	114.00		270.00	460.00					
Trois-Rivières	October 17, 2005	In-Store	147.10		143.50	125.39																	
QC	October 11, 2005		143.50		140.90	114.95																	
St. Jean QC (2)	October 17, 2005	FOB	128.00	132.50	122.50	110.50		264.92															
St. Hyacinthe QC	October 11, 2005		130.00	131.00	128.50	111.50		253.53															
Quebec	October 17, 2005	In-Store	147.37	N/A	159.47	119.47		263.69	195.17														
QC	October 11, 2005		147.17	N/A	159.62	117.14		253.31	188.32														
Truro	October 17, 2005	Track	175.58		167.20	156.13		307.92	258.86														
NS	October 11, 2005		175.58		167.20	158.08	FOB	304.62	258.86														
Truro	October 17, 2005	Water	N/A	N/A	N/A	N/A																	
NS	October 11, 2005	& Truck	N/A	N/A	N/A	N/A																	
Halifax	October 17, 2005	In-Store	N/A	N/A	N/A	N/A		320.00		297.50		1 050.00	N/A										
NS (6)	October 11, 2005		N/A	N/A	N/A	N/A		313.50		297.50		1 050.00	N/A										

Source: Market Analysis Division, Agriculture and Agri-Food Canada; Thunder Bay prices are based on the Winnipeg Commodity Exchange (WCE) market close US\$1.00=CANS1.1856, closing date October 14, 2005
 Contact: André Doumbé Statistical Clerk Telephone: (204) 983-0581 Fax: (204) 983-5524 Email: doumbes@agr.gc.ca
 N/A = not available

Footnotes: All prices in Canadian dollars per metric tonne based on survey respondents.

Grain grades (unless otherwise specified) are: Western or Eastern Feed Wheat. Feed Oats. No. 1 Canada Western or Eastern Barley. No. 2 Canada Yellow Corn. No. 3 US Yellow Corn. Soybean Meal 48 % Protein. Canola Meal based on minimum standard of 35% Protein. Fish Meal: white fish and/or herring meal. Gluten Meal 60% Protein. Gluten Feed 21% Protein.

(1) Wheat 3CWR5 (2) Canadian Corn #3 or #2 (3) US Corn (4) Fish Meal from West Coast 63% Protein (5) Fish Meal 60% Protein (6) Herring Fish Meal (7) Fraser Valley (8) Wheat & Barley (Basis - Cash Price WCE) (9) Oats 3CW

B. CASH PRICES AND REPLACEMENT VALUES

October 31, 2005

PRAIRIE GRAINS

Selected Points	Price Basis		This week 31-Oct-05	Last week 17-Oct-05	Month ago 3-Oct-05	This week 1-Nov-04
From: Thunder Bay(WCE) (2)	In-Store	Wheat	115.00	110.00	108.00	102.00
(CBOT)		Oat	162.75	167.25	161.50	142.60
(Lethbridge)		Barley	108.40	107.50	107.00	114.00
To: Bayport, ON (1)	In-store	Wheat	138.61	133.61	131.61	125.61
		Oat	N/A	N/A	N/A	N/A
		Barley	135.79	134.89	134.39	141.39
Montreal, QC (1)	In-store	Wheat	143.03	138.03	136.03	130.03
		Oat	N/A	N/A	N/A	N/A
		Barley	140.71	139.81	139.31	146.31
Moncton, NB	Truck via Halifax	Wheat	165.25	160.25	158.25	152.25
		Oat	N/A	N/A	N/A	N/A
		Barley	164.90	164.00	163.50	170.50
Truro, NS	Truck via Halifax	Wheat	159.22	154.22	152.22	146.22
		Oat	N/A	N/A	N/A	N/A
		Barley	162.40	161.50	161.00	168.00
Halifax, NS (1)	In-store	Wheat	150.28	145.28	143.28	137.28
		Oat	N/A	N/A	N/A	N/A
		Barley	148.70	147.80	147.30	154.30
Stephenville, NL	Track / Truck via Sydney	Wheat	213.63	208.63	206.63	200.63
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A
Melfort, SK		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Bayport, ON		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Montreal, QC		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Moncton, NB		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Truro, NS		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track / Truck via Sydney	Barley	N/A	N/A	N/A	N/A
Stephenville, NL		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A

Selected Points	Price Basis		This week 31-Oct-05	Last week 17-Oct-05	Month Ago 3-Oct-05	This week 1-Nov-04
Corn						
From: US Lake Port	On Board Vessel		82.02	84.65	82.51	99.72
To: Montreal, QC (1)	In-store		101.06	103.69	101.55	118.76
From: Chicago (IL)	Track		83.41	83.48	84.79	82.90
To: Montreal, QC	Track		112.27	112.34	113.65	111.76
From: Chatham, ON	Track		108.54	109.38	110.07	111.29
To: Montreal, QC	Track		132.41	133.25	133.94	135.16

Soymeal 48% Protein

From: Hamilton, ON			246.69	252.98	246.09	237.99
To: Montreal, QC	Track		271.02	277.31	270.42	262.32
Moncton, NB	Track		289.77	296.06	289.17	281.07
Truro, NS	Track		292.99	299.28	292.39	284.29
Stephenville, NL	Track / Truck via Sydney		341.62	347.91	341.02	332.92

1. Prices include ONE month of storage and interest charges n/a = not available

2. Thunder Bay prices are based on the Winnipeg Commodities Exchange market close (Cash price)

Source: Market Analysis Division, Agriculture and Agri-Food Canada

Contact: André Dombé: Statistical Clerk (204) 983-0581 Fax: (204) 983-5524 e-mail: dombear@agr.gc.ca

Footnotes: All prices quoted in Canadian dollars per metric tonne.

Grain grades (unless otherwise specified) are: Canada Western Feed Wheat, Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn.

Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec.

Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable

A. SELLING PRICE OF BULK FEED INGREDIENTS AT SELECTED POINTS										October 31, 2005									
SELECTED POINT	REFERENCE PERIOD	PRICE BASIS	(1)	WHEAT	OATS	BARLEY	CORN	PRICE BASIS	SOYBEAN MEAL	CANOLA MEAL	MILL- FEEDS	MEAT MEAL	FISH MEAL	ANIMAL FAT	GLUTEN MEAL	GLUTEN FEED	FEED PEAS	DEHY ALFALFA	FEATHER MEAL
Vancouver BC (4) (7)	October 31, 2005	FOB		126.00	N/A	128.00	131.00		258.00	148.00	112.00		862.50	460.00					415.00
Calgary (4)	October 24, 2005	FOB		126.00	N/A	128.00	134.50		258.50	147.00	115.00		862.50	460.00					415.00
AB	October 31, 2005	FOB		104.00	N/A	104.00	125.00		251.50				975.00	495.00					390.00
Saskatoon	October 24, 2005	FOB		104.00	N/A	104.00	125.00		256.50				975.00	495.00					390.00
SK	October 31, 2005	FOB		90.50	120.00	79.50	120.00		257.50	N/A			N/A				116.00		430.00
Winnipeg	October 24, 2005	FOB		90.50	120.00	79.50	120.00		253.50	N/A			N/A				116.00		430.00
MB (4) (9)	October 31, 2005	FOB		135.00	140.00	108.50	110.00		245.67	N/A			962.50	525.00					370.00
Thunder Bay	October 24, 2005	In-Store		135.00	140.00	108.50	110.00		243.00	N/A			962.50	525.00					370.00
ON	October 31, 2005			115.00	N/A	108.70													
Lake Ports	October 24, 2005	On Board				108.70													
USA	October 31, 2005					82.02													
Bay Ports	October 24, 2005	Vessel				87.05													
ON	October 31, 2005	In-Store		140.00	195.00	124.00													
ON	October 24, 2005			140.00	195.00	124.00													
Chatham	October 31, 2005	Track																	
ON	October 24, 2005																		
Toronto	October 31, 2005	N/A																	
ON	October 24, 2005																		
Hamilton	October 31, 2005	N/A																	
ON	October 24, 2005																		
Eastern	October 31, 2005	FOB																	
ON	October 24, 2005																		
London	October 31, 2005	FOB																	
ON	October 24, 2005																		
Port Colborne	October 31, 2005	FOB																	
ON	October 24, 2005																		
Cardinal	October 31, 2005	FOB																	
ON	October 24, 2005																		
Montreal	October 31, 2005			150.00	145.00	142.00	115.00		243.96	168.88	70.67		400.00	450.00					
QC (5)	October 24, 2005			150.00	140.00	142.00	115.00	FOB	245.17	168.70	68.33		310.00	434.00				270.00	400.00
Trois-Rivières	October 31, 2005	In-Store		150.10		148.40	122.83												
QC	October 24, 2005			150.00		148.40	124.99												
St. Jean OC (2)	October 31, 2005	FOB		127.50	135.00	124.00	111.50		257.20										
St. Hyacinthe QC	October 24, 2005			132.00	132.00	126.50	113.50		258.20										
Quebec	October 31, 2005	In-Store		148.03	N/A	161.67	117.65		253.36	188.07									
QC	October 24, 2005			147.67	N/A	161.30	120.33		255.30	188.60									
Truro	October 31, 2005	Track		178.25		167.20	154.63		305.40	258.86			244.10	N/A					370.00
NS	October 24, 2005			175.58		167.20	155.33	FOB	305.09	258.86			244.10	N/A					390.00
Truro	October 31, 2005	Water		N/A	N/A	N/A	N/A												
NS	October 24, 2005	& Truck		N/A	N/A	N/A	N/A												
Halifax	October 31, 2005	In-Store		N/A	N/A	N/A	N/A		299.75		297.50		1 050.00	N/A					
NS (6)	October 24, 2005			N/A	N/A	N/A	N/A		308.00		297.50		1 050.00	N/A					

Source: Market Analysis Division. Agriculture and Agri-Food Canada; Thunder Bay prices are based on the Winnipeg Commodity Exchange (WCE) market close
 Contact: André Doumbé Statistical Clerk Telephone: (204) 983-0581 Fax: (204) 983-5524 Email: doumbea@agr.gc.ca
 US\$1.00=CANS1.1771, closing date October 28, 2005
 N/A = not available

Footnotes: All prices in Canadian dollars per metric tonne based on survey respondents.
 Grain grades (unless otherwise specified) are: Western or Eastern Feed Wheat. Feed Oats. No.1 Canada Western or Eastern Barley. No.2 Canada Yellow Corn. No.3 US Yellow Corn.
 Soybean Meal 48 % Protein. Canola Meal based on minimum standard of 35% Protein. Fish Meal: white fish and/or herring meal. Gluten Meal 60% Protein. Gluten Feed 21% Protein.

(1) Wheat 3CWRS (2) Canadian Corn #3 or #2 (3) US Corn (4) Fish Meal from West Coast 63% Protein (5) Fish Meal 60% Protein (6) Herring Fish Meal (7) Fraser Valley (8) Wheat & Barley (Basis - Cash Price WCE) (9) Oats 3CW

B. CASH PRICES AND REPLACEMENT VALUES

November 14, 2005

PRAIRIE GRAINS

Selected Points	Price Basis		This week 14-Nov-05	Last week 31-Oct-05	Month ago 17-Oct-05	Year Ago 15-Nov-04
From: Thunder Bay(WCE) (2)	In-Store	Wheat	118.00	115.00	110.00	97.00
(CBOT)		Oat	167.75	162.75	167.25	146.60
(Lethbridge)		Barley	109.00	108.40	107.50	115.00
To: Bayport, ON (1)	In-store	Wheat	141.61	138.61	133.61	120.61
		Oat	N/A	N/A	N/A	N/A
		Barley	136.39	135.79	134.89	142.39
Montreal, QC (1)	In-store	Wheat	146.03	143.03	138.03	125.03
		Oat	N/A	N/A	N/A	N/A
		Barley	141.31	140.71	139.81	147.31
Moncton, NB	Truck via Halifax	Wheat	168.25	165.25	160.25	147.25
		Oat	N/A	N/A	N/A	N/A
		Barley	165.50	164.90	164.00	171.50
Truro, NS	Truck via Halifax	Wheat	162.22	159.22	154.22	141.22
		Oat	N/A	N/A	N/A	N/A
		Barley	163.00	162.40	161.50	169.00
Halifax, NS (1)	In-store	Wheat	153.28	150.28	145.28	132.28
		Oat	N/A	N/A	N/A	N/A
		Barley	149.30	148.70	147.80	155.30
Stephenville, NL	Track / Truck via Sydney	Wheat	216.63	213.63	208.63	195.63
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A
Melfort, SK		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Bayport, ON		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Montreal, QC		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Moncton, NB		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Truro, NS		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track / Truck via Sydney	Barley	N/A	N/A	N/A	N/A
Stephenville, NL		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A

Selected Points	Price Basis		This week 14-Nov-05	Last week 31-Oct-05	Month Ago 17-Oct-05	Year Ago 15-Nov-04
Corn						
From: US Lake Port	On Board Vessel		86.73	86.25	84.65	96.71
To: Montreal, QC (1)	In-store		105.77	105.29	103.69	115.75
From: Chicago (IL)	Track		89.31	87.88	83.48	80.75
To: Montreal, QC	Track		118.17	116.74	112.34	109.61
From: Chatham, ON	Track		106.63	107.12	109.38	103.77
To: Montreal, QC	Track		130.50	130.99	133.25	127.64

Soymeal 48% Protein

From: Hamilton, ON			266.43	260.36	252.98	226.74
To: Montreal, QC	Track		290.76	284.69	277.31	251.07
Moncton, NB	Track		309.51	303.44	296.06	269.82
Truro, NS	Track		312.73	306.66	299.28	273.04
Stephenville, NL	Track / Truck via Sydney		361.36	355.29	347.91	321.67

1. Prices include ONE month of storage and interest charges n/a = not available

2. Thunder Bay prices are based on the Winnipeg Commodities Exchange market close (Cash price)

Source: Market Analysis Division, Agriculture and Agri-Food Canada

Contact: André Doumbé: Statistical Clerk (204) 983-0581 Fax: (204) 983-5524 e-mail: doumbea@agr.gc.ca

Footnotes: All prices quoted in Canadian dollars per metric tonne.

Grain grades (unless otherwise specified) are: Canada Western Feed Wheat, Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn.

Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec.

Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable

A. SELLING PRICE OF BULK FEED INGREDIENTS AT SELECTED POINTS

A. SELLING PRICE OF BULK FEED INGREDIENTS AT SELECTED POINTS																	November 14, 2005				
SELECTED POINT	REFERENCE PERIOD	PRICE BASIS	(1)	WHEAT	OATS	BARLEY	CORN	PRICE BASIS	SOYBEAN MEAL	CANOLA MEAL	MILL- FEEDS	MEAT MEAL	FISH MEAL	ANIMAL FAT	GLUTEN MEAL	GLUTEN FEED	FEED PEAS	DEHY ALFALFA	FEATHER MEAL		
Vancouver	November 14, 2005	FOB		126.00	N/A	128.00	133.00		275.00	161.00	112.00		862.50	460.00						415.00	
BC (4) (7)	November 07, 2005	FOB		126.00	N/A	128.00	131.00		257.50	148.00	112.00		862.50	460.00						415.00	
Calgary	November 14, 2005	FOB		104.00	N/A	104.00	125.00		268.00			160.00	975.00	495.00						390.00	
AB (4)	November 07, 2005	FOB		104.00	N/A	104.00	128.00		251.00			160.00	975.00	495.00						390.00	
Saskatoon	November 14, 2005	FOB		90.50	120.00	79.50	120.00		273.50	N/A		160.00	N/A	495.00			116.00			390.00	
SK (4)	November 07, 2005	FOB		90.50	120.00	79.50	120.00		257.00	N/A		160.00	N/A	495.00			116.00			390.00	
Winnipeg	November 14, 2005	FOB		136.50	140.00	110.00	108.00		256.33	N/A		290.00	962.50	525.00						430.00	
MB (4) (9)	November 07, 2005	FOB		136.50	140.00	110.00	108.00		245.00	N/A		290.00	962.50	525.00						385.00	
Thunder Bay	November 14, 2005	In-Store		118.00	N/A	107.75														370.00	
ON (8)	November 07, 2005			117.00	N/A	108.00															
Lake Ports	November 14, 2005	On Board					86.73														
USA (3)	November 07, 2005	Vessel					87.05														
Bay Ports	November 14, 2005	In-Store		145.00	185.00	130.00															
ON	November 07, 2005			140.00	195.00	124.00															
Chatham	November 14, 2005	Track					106.63														
ON	November 07, 2005						109.97														
Toronto	November 14, 2005	N/A						FOB				182.00	N/A	450.00	425.00	114.00		280.00		380.00	
ON (5)	November 07, 2005											182.00	N/A	450.00	425.00	114.00		270.00		400.00	
Hamilton	November 14, 2005	N/A							266.43	N/A											
ON	November 07, 2005								260.36	N/A											
Eastern	November 14, 2005	FOB					103.00														
ON	November 07, 2005						102.00														
London	November 14, 2005	FOB																			
ON	November 07, 2005																				
Port Colborne	November 14, 2005	FOB																			
ON	November 07, 2005										60.00										
Cardinal	November 14, 2005	FOB									52.50										
ON	November 07, 2005																				
Montreal	November 14, 2005			155.00	142.00	142.00	125.00		258.19	183.38	75.00	400.00	850.00	472.00	425.00	114.00		270.00		400.00	
QC (5)	November 07, 2005			155.00	142.00	142.00	125.00	FOB	250.78	183.38	70.00	400.00	850.00	450.00	425.00	114.00		270.00		400.00	
Trois-Rivières	November 14, 2005	In-Store		151.50		146.50	122.24														
QC	November 07, 2005			150.50		147.00	122.24														
St. Jean QC (2)	November 14, 2005	FOB		137.00	133.50	127.00	117.00		270.90												
St. Hyacinthe QC	November 07, 2005			136.00	133.50	121.00	116.00		265.56												
Quebec	November 14, 2005	In-Store		153.50	N/A	158.72	125.58		268.13	203.17											
QC	November 07, 2005			153.17	N/A	158.90	125.44		262.65	201.93											
Truro	November 14, 2005	Track		182.88		167.20	154.62		313.96	258.86											
NS	November 07, 2005			178.25		167.20	159.35	FOB	308.91	258.86											
Truro	November 14, 2005	Water		N/A	N/A	N/A	N/A														
NS	November 07, 2005	& Truck		N/A	N/A	N/A	N/A														
Halifax	November 14, 2005	In-Store		N/A	N/A	N/A	158.00		336.00												
NS (6)	November 07, 2005			N/A	N/A	N/A	158.00		299.75			297.50	1 050.00	N/A							
												297.50	1 050.00	N/A							

Source: Market Analysis Division. Agriculture and Agri-Food Canada; Thunder Bay prices are based on the Winnipeg Commodity Exchange (WCE) market close
Contact: André Dombé Statistical Clerk. Telephone: (204) 983-0581 Fax: (204) 983-5524 Email: dombea@agr.gc.ca
US\$1.00=CAN\$1.1877, closing date November 11, 2005
N/A = not available

Footnotes: All prices in Canadian dollars per metric tonne based on survey respondents.
Grain grades (unless otherwise specified) are: Western or Eastern Feed Wheat. Feed Oats. No.1 Canada Western or Eastern Barley. No.2 Canada Yellow Corn. No.3 US Yellow Corn.
Soybean Meal 48 % Protein. Canola Meal based on minimum standard of 35% Protein. Fish Meal: white fish and/or herring meal. Gluten Meal 60% Protein. Gluten Feed 21% Protein.

(1) Wheat 3CWRS (2) Canadian Corn #3 or #2 (3) US Corn (4) Fish Meal from West Coast 63% Protein (5) Fish Meal 60% Protein (6) Herring Fish Meal (7) Fraser Valley (8) Wheat & Barley (Basis - Cash Price WCE) (9) Oats 3CW

B. CASH PRICES AND REPLACEMENT VALUES

November 28, 2005

PRAIRIE GRAINS

Selected Points	Price Basis		This week 28-Nov-05	Last week 14-Nov-05	Month ago 31-Oct-05	Year Ago 29-Nov-04
From: Thunder Bay(WCE) (2)	In-Store	Wheat	122.00	118.00	115.00	82.20
(CBOT)		Oat	180.50	167.75	162.75	149.60
(Lethbridge)		Barley	110.00	109.00	108.40	114.00
To: Bayport, ON (1)	In-store	Wheat	145.61	141.61	138.61	105.81
		Oat	N/A	N/A	N/A	N/A
		Barley	137.39	136.39	135.79	141.39
Montreal, QC (1)	In-store	Wheat	150.03	146.03	143.03	110.23
		Oat	N/A	N/A	N/A	N/A
		Barley	142.31	141.31	140.71	146.31
Moncton, NB	Truck via Halifax	Wheat	172.25	168.25	165.25	132.45
		Oat	N/A	N/A	N/A	N/A
		Barley	166.50	165.50	164.90	170.50
Truro, NS	Truck via Halifax	Wheat	166.22	162.22	159.22	126.42
		Oat	N/A	N/A	N/A	N/A
		Barley	164.00	163.00	162.40	168.00
Halifax, NS (1)	In-store	Wheat	157.28	153.28	150.28	117.48
		Oat	N/A	N/A	N/A	N/A
		Barley	150.30	149.30	148.70	154.30
Stephenville, NL	Track / Truck via Sydney	Wheat	220.63	216.63	213.63	180.83
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A
Melfort, SK		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Bayport, ON		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Montreal, QC		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Moncton, NB		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Truro, NS		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track / Truck via Sydney	Barley	N/A	N/A	N/A	N/A
Stephenville, NL		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A

Selected Points	Price Basis		This week 28-Nov-05	Last week 14-Nov-05	Month Ago 31-Oct-05	Year Ago 29-Nov-04
Corn						
From: US Lake Port	On Board Vessel		85.04	84.93	86.25	95.48
To: Montreal, QC (1)	In-store		104.08	103.97	105.29	114.52
From: Chicago (IL)	Track		92.17	93.59	87.88	79.73
To: Montreal, QC	Track		121.03	122.45	116.74	108.59
From: Chatham, ON	Track		103.43	103.75	107.12	104.48
To: Montreal, QC	Track		127.30	127.62	130.99	128.35

Soymeal 48% Protein						
From: Hamilton, ON			253.64	256.01	260.36	242.73
To: Montreal, QC	Track		277.97	280.34	284.69	267.06
Moncton, NB	Track		296.72	299.09	303.44	285.81
Truro, NS	Track		299.94	302.31	306.66	289.03
Stephenville, NL	Track / Truck via Sydney		348.57	350.94	355.29	337.66

1. Prices include ONE month of storage and interest charges n/a = not available
 2. Thunder Bay prices are based on the Winnipeg Commodities Exchange market close (Cash price)

Source: Market Analysis Division, Agriculture and Agri-Food Canada

Contact: André Dombé: Statistical Clerk (204) 983-0581 Fax: (204) 983-5524 e-mail: dombear@agr.gc.ca

Footnotes: All prices quoted in Canadian dollars per metric tonne.

Grain grades (unless otherwise specified) are: Canada Western Feed Wheat, Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn.

Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec.

Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable

A. SELLING PRICE OF BULK FEED INGREDIENTS AT SELECTED POINTS																	November 28, 2005				
SELECTED POINT	REFERENCE PERIOD	PRICE BASIS	(1) WHEAT	OATS	BARLEY	CORN	PRICE BASIS	SOYBEAN MEAL	CANOLA MEAL	MILL-FEEDS	MEAT MEAL	FISH MEAL	ANIMAL FAT	GLUTEN MEAL	GLUTEN FEED	FEED PEAS	DEHY ALFALFA	FEATHER MEAL			
Vancouver	November 28, 2005	FOB	135.00	N/A	130.00	132.50		255.75	147.00	117.00		900.00	460.00					405.00			
BC (4) (7)	November 21, 2005		126.00	N/A	128.00	130.00		268.00	153.00	115.00		875.00	460.00					415.00			
Calgary	November 28, 2005	FOB	105.00	N/A	107.00	125.00		252.75			150.00	1000.00	495.00					410.00			
AB (4)	November 21, 2005		104.00	N/A	104.00	125.00		264.00			150.00	1000.00	495.00					400.00			
Saskatoon	November 28, 2005	FOB	98.00	120.00	84.50	120.00		257.25	N/A		150.00	N/A	495.00			112.67		440.00			
SK (4)	November 21, 2005		90.50	120.00	79.50	120.00		268.00	N/A		150.00	N/A	495.00			116.00		430.00			
Winnipeg	November 28, 2005	FOB	139.00	140.00	112.50	108.00		244.83	N/A		290.00	1012.50	525.00					365.00			
MB (4) (9)	November 21, 2005		136.50	140.00	110.00	110.00		252.33	N/A		290.00	962.50	525.00					365.00			
Thunder Bay	November 28, 2005	In-Store	121.50	N/A	109.50																
ON (8)	November 21, 2005		119.75	N/A	108.50																
Lake Ports	November 28, 2005	On Board				85.04															
USA (3)	November 21, 2005	Vessel				87.05															
Bay Ports	November 28, 2005	In-Store	145.00	185.00	130.00																
ON	November 21, 2005		145.00	185.00	130.00																
Gatham	November 28, 2005	Track				103.43															
ON	November 21, 2005					109.97															
Toronto	November 28, 2005	N/A					FOB				182.00	N/A	440.00	425.00	114.00		280.00	340.00			
ON (5)	November 21, 2005										182.00	N/A	440.00	425.00	114.00		280.00	340.00			
Hamilton	November 28, 2005	N/A						253.64	N/A												
ON	November 21, 2005							256.01	N/A												
Eastern	November 28, 2005	FOB				105.50															
ON	November 21, 2005					102.00															
London	November 28, 2005	FOB												425.00	114.00						
ON	November 21, 2005													425.00	114.00						
Port Colborne	November 28, 2005	FOB								67.00				425.00	114.00						
ON	November 21, 2005									64.50				425.00	114.00						
Cardinal	November 28, 2005	FOB												425.00	114.00						
ON	November 21, 2005													425.00	114.00						
Montreal	November 28, 2005		155.00	150.00	145.00	125.00		248.63	182.38	79.33	400.00	850.00	472.00	425.00	114.00		270.00	400.00			
QC (5)	November 21, 2005		155.00	140.00	142.00	125.00	FOB	253.43	183.38	78.33	400.00	850.00	472.00	425.00	114.00		270.00	400.00			
Trois-Rivières	November 28, 2005	In-Store	157.50		144.00	120.76															
QC	November 21, 2005		152.00		148.00	120.56															
St. Jean QC (2)	November 28, 2005	FOB	140.50	138.50	130.00	120.50		247.55													
St. Hyacinthe QC	November 21, 2005		138.50	131.50	125.50	118.00		260.56													
Quebec	November 28, 2005	In-Store	155.50	N/A	159.65	124.03		251.91	211.07												
QC	November 21, 2005		154.67	N/A	159.28	125.02		260.89	204.32												
Truro	November 28, 2005	Track	185.23		167.20	160.40		310.90	258.86		241.60		N/A					330.00			
NS	November 21, 2005		183.13		167.20	156.73	FOB	319.77	258.86		239.10		N/A					330.00			
Truro	November 28, 2005	Water		N/A	N/A	N/A															
NS	November 21, 2005	& Truck	N/A	N/A	N/A	N/A															
Halifax	November 28, 2005	In-Store	N/A	N/A	N/A	150.55		336.00		297.50		1 050.00	N/A								
NS (6)	November 21, 2005		N/A	N/A	N/A	151.00		336.00		297.50		1 050.00	N/A								

Source: Market Analysis Division, Agriculture and Agri-Food Canada; Thunder Bay prices are based on the Winnipeg Commodity Exchange (WCE) market close

Contact: André Doumbé Statistical Clerk Telephone: (204) 983-0581 Fax: (204) 983-5524 Email: doumbea@agr.gc.ca

US\$1.00 = CANS 1.1692

closing date
Nov.25/2005

N/A = not available

Footnotes: All prices in Canadian dollars per metric tonne based on survey respondents

Grain grades (unless otherwise specified) are: Western or Eastern Feed Wheat Feed Oats No.1 Canada Western or Eastern Barley No.2 Canada Yellow Corn No.3 US Yellow Corn.

Soybean Meal 48 % Protein Canola Meal based on minimum standard of 35% Protein Fish Meal: white fish and/or herring meal Gluten Meal 60% Protein Gluten Feed 21% Protein.

(1) Wheat 3CWRS (2) Canadian Corn #3 or #2 (3) US Corn (4) Fish Meal from West Coast 63% Protein (5) Fish Meal 60% Protein (6) Herring Fish Meal (7) Fraser Valley (8) Wheat & Barley (Basis - Cash Price WCE) (9) Oats 3CW

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Footnotes: All prices in Canadian dollars per metric tonne based on survey respondents.

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(1) Wheat 3CWRs (2) Canadian Corn #3 or #2 (3) US Corn (4) Fish Meal from West Coast 63% Protein (5) Fish Meal 60% Protein (6) Herring Fish Meal (7) Fraser Valley (8) Wheat & Barley (Basis - Cash Price WCE) (9) Oats 3CW



Bi-weekly Bulletin

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FEED BARLEY: SITUATION AND OUTLOOK

Over the past 20 years, the demand for western Canadian feed barley has shifted dramatically from the export market to the domestic feed market, as the livestock sector in Western Canada expanded and international competition intensified. For 2005-2006, domestic feed demand is expected to be strong, due to larger inventories of cattle and hogs and the partial opening of the United States (US) border to Canadian beef and cattle. However, larger domestic supplies of barley with below average quality, lower US corn prices, and the strong Canadian dollar are projected to depress the Lethbridge feed barley price to \$110 per tonne (/t), the lowest in 10 years. For exports, despite lower world corn prices, world feed barley prices strengthened early in the crop year, because of tighter exportable supplies from major exporters. The strong Canadian Wheat Board (CWB) Pool Return Outlook (PRO) relative to the domestic off-Board price has attracted large deliveries to the CWB which, when combined with less competition overseas and a wider spread of export over domestic prices, has provided export opportunities for Canada.

WORLD COARSE GRAIN MARKET

Lower Coarse Grain Production and Stocks

The world coarse grain market consists mainly of corn, barley, sorghum, oats and rye. For 2005-2006, world coarse grain production is estimated by the United States Department of Agriculture (USDA) to decrease to 946 million tonnes (Mt) from the record of 1,008 Mt set in 2004-2005. Production is estimated to return to trend from the exceptionally larger 2004-2005 crops for almost all major producers. Total world supplies are expected to decrease by 25 Mt from 2004-2005, while consumption is virtually unchanged. As a result, carry-out stocks are projected to decrease by 13% and the stocks-to-use ratio is forecast to drop to 15%, the second lowest in 30 years.

Higher Supplies and Lower Prices in the US

US corn plays a dominant role in the world coarse grain market. US corn production in 2005-2006 is estimated by the USDA at 11.0 billion bushels (Gbu), second only to the record of 11.8 Gbu set in 2004-2005, as a higher harvested area only partially offset lower yields. US corn supplies, however, are expected to increase by 3%, as carry-in stocks more than doubled from 2004-2005. US domestic use is forecast to decrease marginally as a result of lower feed use which is partially offset by the higher demand from ethanol production. US exports, however, are forecast to increase to

2.0 Gbu, from 1.8 Gbu for 2004-2005. Carry-out stocks are expected to increase by 10% to 2.3 Gbu. The average US farm price for corn is currently forecast to decrease from US\$2.06 per bushel (/bu) in 2004-2005 to a midpoint of US\$1.80/bu, pressuring world coarse grain prices.

WORLD BARLEY MARKET

Lower Barley Production

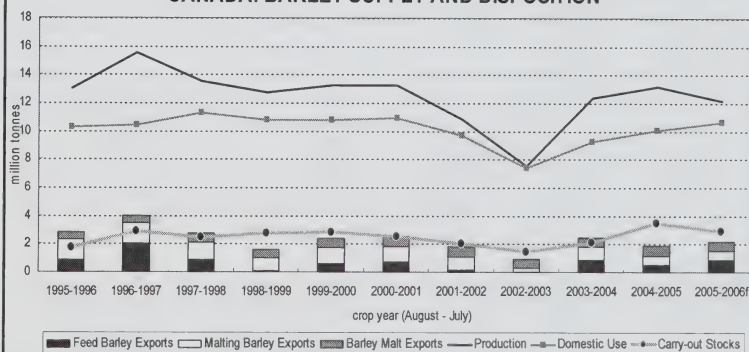
For 2005-2006, world barley production is estimated by the USDA to decrease by 12% from 2004-2005 to 134 Mt. Production is estimated to decrease for the European Union (EU), the Black Sea region, Canada and the US. World supplies are expected to

decrease by 5% to 165 Mt because higher carry-in stocks only partially offset lower production. In response, world barley consumption is projected to decrease to 141 Mt, from 145 Mt in 2004-2005, of which feed barley consumption is forecast to decrease from 99 Mt to 96 Mt. As a result, world carry-out stocks are expected to decrease by 7 Mt from last year to 24 Mt and the stocks-to-use ratio is expected to decrease to 17%, from 22% in 2004-2005 and the 5-year average of 19%.

Lower World Trade

World barley trade is forecast by the USDA to decrease to 16.2 Mt, from 17.5 Mt for 2004-2005 and the five year average of

CANADA: BARLEY SUPPLY AND DISPOSITION



F. AAFC forecast, November, 2005.

Source: Statistics Canada and Canadian Grain Commission.

16.8 Mt. World feed barley exports are forecast by Agriculture and Agri-Food Canada (AAFC) to decrease from 12.5 Mt for 2004-2005 to 11.5 Mt. Among the major exporters, Russia and Ukraine are expected to export a combined 4.8 Mt of feed barley, followed by 3.0 Mt from Australia, 2.2 Mt from the EU and 0.9 Mt from Canada. For the major import markets, Saudi Arabia is forecast to import 6 Mt, followed by 2.4 Mt to other Middle East countries and 1.1 Mt to each of Japan and North Africa. Within the Middle East and North African market, import demand is expected to grow substantially for Algeria, while imports into Iran, Tunisia and Syria decrease sharply.

CANADIAN PRODUCTION AND SUPPLIES

Lower Barley Production but Slightly Higher Supplies

For 2005-2006, Canadian barley production is estimated by Statistics Canada at 12.1 Mt, down 8% from 2004-2005, due to a 4% decrease each in yields and harvested area. In western Canada, production decreased by nearly 50% in Manitoba and 9% in Alberta, while the crop in Saskatchewan is 5% larger. Excess moisture problems in southern Manitoba prevented the completion of seeding and damaged fields that were seeded, leading to an overall reduction in yield potential. Total supplies for Canada, however, increased by 2% to 15.7 Mt, as a result of higher carry-in stocks

Below Average Crop Quality and Larger Feed Barley Supplies

The quality of the 2005-2006 barley crop in Canada is expected to be below average. The western Canadian crop has been negatively impacted by rain during harvest in Saskatchewan and Alberta. The quality characteristic that is affected the most is the germination rate. In addition, rain may also have resulted in lower plumpness, high moisture content, bleached or stained kernel and diseases. Depending on the growing stage, protein content could be high for the later planted crop. The crop is also very heterogeneous, due to the interruptions of planting in spring and harvesting in fall. The rains in 2005-2006 affected a much larger area than the frost in 2004-2005 and in each affected area, crop quality is affected to very different degrees in sub-areas.

Low, heterogeneous crop quality reduces the selection rate for malting barley, resulting in larger supplies of low-quality feed barley. The size of the malting barley Pool is projected by AAFC to be smaller than last year and the 10-year average. The

total supply of feed barley is estimated to increase to 13.5 Mt, from 13.0 Mt for 2004-2005.

CANADIAN DOMESTIC DEMAND

Domestic feed consumption has been the dominant use for barley in Canada. With the robust growth of the western Canadian livestock industry, barley feed use (including waste and dockage) has increased by over 35%, from about 7.0 Mt in the early 1990s to 9.3 Mt in 2004-2005. Domestic feed consumption as a percentage of total use has grown from 60% to 78%. Exports, including exports of feed barley, malting barley and barley malt, have decreased from 35% to about 20%. This decline is due solely to the lower feed barley component in barley exports.

For 2005-2006, domestic feed use is expected to increase from 9.3 Mt last year to 9.8 Mt. Cattle and hog inventories have increased from a year ago. The opening of the US border to Canadian beef and live cattle of less than 30 months of age and lower availability of feed quality wheat are expected to raise feed barley demand. In addition, shipments of feed barley from western to eastern Canada are expected to increase, as Canadian corn production declined to 8.5 Mt, the lowest since 2000-2001.

The impact of the on-going countervailing and anti-dumping investigation is as yet not influencing prices for corn and feed barley. It is anticipated that a decision against the US will support prices in Canada.

CANADIAN EXPORTS

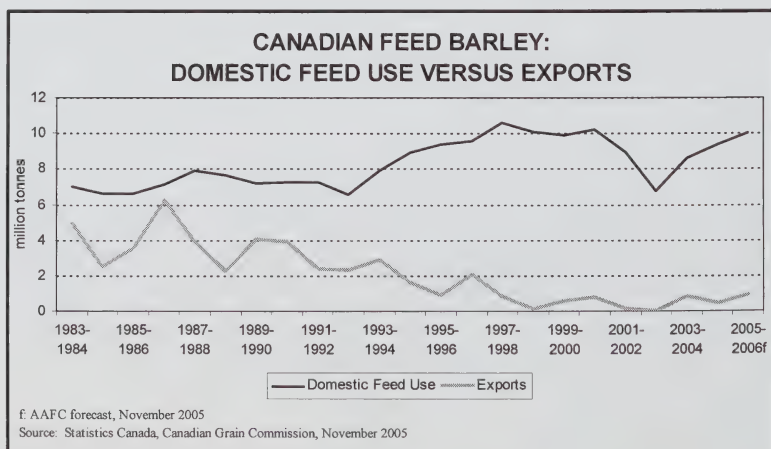
The Downward Trend in Feed Barley Exports

Canadian feed barley exports have decreased significantly in the past 20 years, from over 6.0 Mt in 1986-1987 to an annual average of 450 thousand tonnes (kt) in the 2000s. Among the major factors contributing to this structural change are: (1) the removal of the *Western Grain Transportation Act* subsidy, (2) the rapid expansion of the livestock sector in western Canada and (3) intensified overseas competition, particularly from the EU and, more recently, Ukraine and Russia (Black Sea Region). The livestock sector in western Canada has become the largest user of feed barley and generally offers a higher return to farmers than the export market. Meanwhile, shipments of feed barley from the Prairies to other parts of Canada decreased substantially, following the elimination of the Feed Freight Assistance Program.

Canadian feed barley exports fell to the lowest levels in 2001-2002 and 2002-2003, following two consecutive years of drought-reduced production. However, exports rebounded to 0.8 Mt in 2003-2004 and 0.5 Mt in 2004-2005. For 2004-2005, limited exportable supplies from Australia and the US, light competition from the Black Sea Region and the EU, and a steady decline in ocean freight rates have raised export prices for North America and combined to provide sales opportunities for Canada. The majority of Canadian exports were made in the last half of the crop year.

Higher Exports Forecast for 2005-2006

For 2005-2006, Canadian feed barley exports are forecast to increase to 0.9 Mt,



with the vast majority shipped from Pool A, covering August 2005 to January 2006. For the early months of this pooling period, heat and dry conditions in the EU and the Black Sea Region reduced exportable supplies. Carry-in stocks were lower and production was anticipated to drop in Australia. The US harvested their smallest barley crop since 1926. Tight supplies worldwide raised export prices and provided excellent opportunities for Canada. For the pooling period of Pool B (February-July 2006), exports are forecast to decrease significantly from Pool A due mainly to a much larger than previously expected barley crop in Australia.

MAJOR CANADIAN EXPORT MARKETS

Saudi Arabia is the world's largest feed barley importer, with annual imports of 6.0 Mt or more than 50% of world trade. The sheep and goat industry in Saudi Arabia has been growing by 3% annually and this trend is expected to continue into the future. This expansion has been driven mainly by rapid population growth, although per capita disappearance is stable at 7 kilograms. Consequently, the demand for feed barley has trended higher with moderate fluctuations, driven by changes in the local grassland and forage situation.

The Saudi Arabian market was dominated by supplies from Australia in the early 1980s. Canada and the US replaced Australia in the late 1980s, with record exports of 2.3 Mt from the US and 1.9 Mt from Canada in 1986. In the 1990s, the EU became the largest exporter to this market. For the 2000s, although the EU and Australia continue to be the top suppliers, their status has been challenged by Ukraine and Russia, with a combined market share of over 40% in 2002-2003. For 2005-2006, feed barley imports to Saudi Arabia are forecast by the USDA to remain at 6.0 Mt. Canada is forecast to export 0.5 Mt to Saudi Arabia.

Japan is the world's second largest feed barley importer. Although corn is the dominant feed ingredient in Japan, barley is an important component of feed for Wagyu cattle, producing beef with a white, firm marbling of fat preferred by Japanese consumers. Barley is imported into Japan by one of two ways: (1) duty-free imports by the government on behalf of the licensed processors and (2) the Simultaneous Buy and Sell (SBS) system which allows end-users to tender directly and specify the quantity, quality and timing of transactions.

The SBS system is increasingly gaining popularity and accounted for over 60% of Japan's total barley imports in 2003-2004.

Japanese feed barley imports have dropped by over 20% in recent years from 1.4 Mt in 1998-1999 to 1.1 Mt in 2004-2005. This is attributed to higher meat imports, the BSE problems and an economic slowdown. As a result, Japan's share in the world import market has dropped from 15% to about 10%. For 2005-2006, feed barley imports into Japan are forecast by AAFC to remain at 1.1 Mt. Australia will continue to be the dominant supplier to the market, although its export volumes are expected to be below average. Imports from the US are also projected to decrease. For Canada, feed barley exports are forecast at 0.30 Mt, up significantly from 2004-2005.

EXPORT COMPETITION

Australia, the EU, the Black Sea Region and the US are the major competitors for Canadian feed barley exports in the world markets.

Australian barley production in 2005-2006 is forecast by the Australian Bureau of Agricultural and Resource Economics to increase by over 30% from 2004-2005 to 8.4 Mt. Total supplies are expected to increase by 20% to 9.0 Mt due to a 40% decrease in carry-in stocks. Total domestic use of feed barley is forecast at 2.3 Mt. Consequently, feed barley exports are forecast to increase from 2.8 Mt last year to 3.0 Mt.

The dry, warm summer and fall in the eastern states and South Australia has significantly lowered the anticipated 2005-2006 crop in Australia. Lower production expectations and tight carry-in stocks were among the major factors supporting world prices and providing export opportunities for Canada during late 2004-2005 and early 2005-2006. However, the above average rainfall in June provided an opportunity for late winter crop plantings and aided crops that had been dry sown, boosting production expectations to a level significantly higher than anticipated early in the crop year.

The emergence of the **Black Sea Region** as major exporters has pressured world prices because they are the least cost producers and enjoy the lowest freight costs to the Middle East and North Africa. Their market share has increased significantly in the last few years. For 2005-2006, exports from Ukraine are forecast by the USDA to be close to last year's 4.0 Mt, as large carry-

in stocks and reduced domestic use offset significantly lower production. Exports from Russia, however, are forecast to decrease from 1.5 Mt last year to 0.8 Mt, due to lower production. Lower exports from the region are expected to support world prices.

EU barley production in 2005-2006 is estimated by USDA to decrease by 14% from 2004-2005 to 53.0 Mt. With the exception of Denmark, production is estimated to decrease for all other major EU producers. The dry conditions in Spain are estimated to reduce barley output by 20%. Total EU supplies are expected to decrease by 3% as lower production more than offsets higher carry-in stocks. EU barley consumption is expected to decrease only marginally and carry-out stocks are forecast to drop by 27%. EU feed barley exports are forecast by AAFC to decrease from 2.7 Mt in 2004-2005 to 2.2 Mt. Due to lower exportable supplies and less competition from the Black Sea Region, the EU is expected to be less aggressive in subsidizing exports than in 2004-2005.

Barley production in the **US** has trended lower in the long-run, due to competition from other crops. For 2005-2006, US barley production decreased by 24% from 2004-2005 to 4.6 Mt, the lowest since 1926. Domestic consumption is forecast to drop by 16% to 4.8 Mt, due mainly to lower feed consumption. Total exports are forecast to drop by 60% from last year to 0.3 Mt and Canada is expected to pick up much of the market unfilled by the US.

PRICE OUTLOOK

Domestic Prices: Historically Low but Stronger Relative to US Corn

For 2005-2006, Canadian domestic feed barley prices are expected to be pressured by: (1) large carry-in stocks of low quality barley, (2) below average new crop quality, (3) lower US farm prices for corn and (4) the strength in the Canadian dollar. On the other side, prices are expected to be supported by: (a) lower western barley production, (b) stronger feed demand from the cattle and hog sectors, (c) higher demand for exports overseas. High energy costs and logistic constraints are expected to keep transportation costs high, pressuring on-farm returns and lifting feedlot prices.

For the crop-year-to-date (August-October 2005), Chicago Board of Trade (CBOT) corn nearby futures prices averaged US\$80/t, down 4% from the same period a year ago. For the same period, the Canadian dollar appreciated by 6%, from

CAN\$1.27/US\$ to CAN\$1.19/US\$. As a result, CBoT corn nearby prices in Canadian dollars decreased by 9%, from CAN\$103/t to CAN\$94/t. Western Canadian feed barley prices, in-store Lethbridge for No. 1 Canada Western (CW), averaged \$107/t, only 4% lower than a year ago, suggesting strong feed barley prices in western Canada, relative to corn prices in the US.

For 2005-2006, the Lethbridge feed barley price is forecast to average \$110/t, slightly lower than \$112/t for 2004-2005 and significantly lower than the 5- and 10-year average of \$141/t and \$137/t, respectively.

Export Prices: Historically Low but Stronger than Domestic Prices

Canada is a minor player and price taker in the world feed barley market. World feed barley prices in 2005-2006 are expected to be supported by: (1) lower world barley production and tighter exportable supplies from the EU, Australia, the US and Russia, (2) tighter world coarse grain supplies, (3) a steady demand from major importing regions and (4) less aggressive use of export subsidies by the EU. World prices are expected to be pressured by lower US corn prices. Canadian feed barley export prices are being further depressed by the strength in the Canadian dollar.

For the crop-year-to-date, PNW feed barley prices have averaged US\$122/t, 17% higher than a year ago. In Canadian dollars, the price increased by 10%, from CAN\$132/t a year ago to CAN\$145/t. To date, the spread between the PNW and Lethbridge price has

averaged CAN\$38/t, compared to CAN\$20/t a year ago. This spread, as well as decreases in the other major exporters' supplies, has provided good sales opportunities for Canada.

For the remainder of 2005-2006, the PNW feed barley price is expected to average about CAN\$135/t, \$6/t below current prices, following the arrival of the new crop from Australia. Canadian feed barley exports for Pool B are expected to decrease significantly compared to Pool A. The annual average PNW feed barley price is forecast at CAN\$140-145/t for 2005-2006, compared to CAN\$139/t for 2004-2005 and the five year average of CAN\$169/t.

The Imperfect Substitution of Corn for Barley

The strength of the PNW barley export price, relative to both domestic prices in Canada and corn prices in the US, is reflective of the imperfect substitution of corn for feed barley in both North America and world feed grain markets. A varied feed value for various animals, different feeding traditions/practices, special requirements, and logistic constraints are among the major elements underlying this imperfect substitution.

CWB PRO

The CWB November PRO for No.1 CW Feed Barley, Pool A is \$126/t, in-store Vancouver/St. Lawrence, versus \$117/t for Pool A of 2004-2005. For Alberta, the on-farm return from deliveries to Pool A average \$77/t, close to that from off-Board deliveries. In 2004-2005, the on-farm return

from the off-Board market was \$14/t higher than for Board deliveries. The strength of the current CWB PRO is attracting Board deliveries from larger areas in the province

For Pool B, the PRO is forecast by the CWB at \$118/t, compared to \$129/t for Pool B of 2004-2005. Timely rains have boosted estimates for Australian barley production and the Canadian dollar is projected to remain strong, pressuring exports prices. The average PRO for 2005-2006, weighted by volume, is forecast by AAFC at about \$125/t, compared to \$123/t for 2004-2005.

The shorter pooling period, created by splitting the crop year into Pool A and B, and new farm delivery programs and options have put the CWB in a better position to take advantage of sales opportunities, increase farm returns and better manage price risk.

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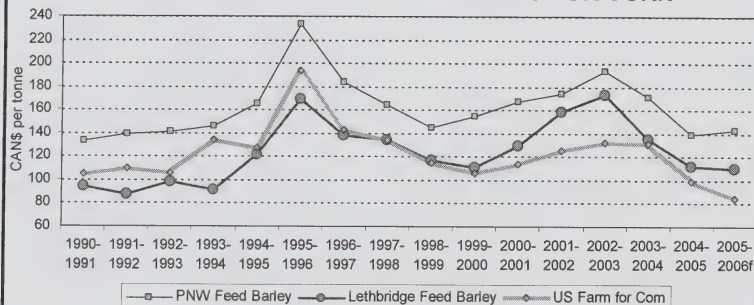
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CANADIAN DOMESTIC AND EXPORT PRICES FOR FEED BARLEY AND US FARM PRICES FOR CORN



f. AAFC forecast, November 2005

Source: United States Department of Agriculture, Chicago Board of Trade and Winnipeg Commodity Exchange, November 2005

*While the Market Analysis Division assumes responsibility for all information contained in this bulletin,
we wish to gratefully acknowledge input from the following:*

Saskatchewan Wheat Pool, Canadian International Grains Institute, Canadian Wheat Board,
Grain Policy Division (AAFC), Market and Industry Services Branch (AAFC)

B. CASH PRICES AND REPLACEMENT VALUES

October 3, 2005

PRAIRIE GRAINS

Selected Points	Price Basis		This week 3-Oct-05	Last week 20-Sep-05	Month ago 6-Sep-05	Year ago 4-Oct-04
From: Thunder Bay(WCE) (2)	In-Store	Wheat	108.00	108.00	107.00	104.00
(CBOT)		Oat	161.50	160.25	142.25	142.60
(Lethbridge)		Barley	107.00	108.00	102.00	111.20
To: Bayport, ON (1)	In-store	Wheat	131.61	131.61	130.61	127.61
		Oat	N/A	N/A	N/A	N/A
		Barley	134.39	135.39	129.39	138.59
Montreal, QC (1)	In-store	Wheat	136.03	136.03	135.03	132.03
		Oat	N/A	N/A	N/A	N/A
		Barley	139.31	140.31	134.31	143.51
Moncton, NB	Truck via Halifax	Wheat	158.25	158.25	157.25	154.25
		Oat	N/A	N/A	N/A	N/A
		Barley	163.50	164.50	158.50	167.70
Truro, NS	Truck via Halifax	Wheat	152.22	152.22	151.22	148.22
		Oat	N/A	N/A	N/A	N/A
		Barley	161.00	162.00	156.00	165.20
Halifax, NS (1)	In-store	Wheat	143.28	143.28	142.28	139.28
		Oat	N/A	N/A	N/A	N/A
		Barley	147.30	148.30	142.30	151.50
Stephenville, NL	Track / Truck via Sydney	Wheat	206.63	206.63	205.63	202.63
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A
Melfort, SK		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Bayport, ON		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Montreal, QC		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Moncton, NB		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Truro, NS		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track / Truck via Sydney	Barley	N/A	N/A	N/A	N/A
Stephenville, NL		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A

Selected Points	Price Basis		This week 3-Oct-05	Last week 20-Sep-05	Last week 6-Sep-05	Year ago 4-Oct-04
Corn						
From: US Lake Port	On Board Vessel		82.51	86.32	94.61	100.81
To: Montreal, QC (1)	In-store		101.55	105.36	113.65	119.85
From: Chicago (IL)	Track		84.79	86.32	101.62	105.78
To: Montreal, QC	Track		113.65	115.18	130.48	134.64
From: Chatham, ON	Track		110.07	105.65	105.65	128.02
To: Montreal, QC	Track		133.94	129.52	129.52	151.89

Soymeal 48% Protein						
From: Hamilton, ON			246.09	256.06	274.58	237.44
To: Montreal, QC	Track		270.42	280.39	298.91	261.77
Moncton, NB	Track		289.17	299.14	317.66	280.52
Truro, NS	Track		292.39	302.36	320.88	283.74
Stephenville, NL	Track / Truck via Sydney		341.02	350.99	369.51	332.37

1. Prices include ONE month of storage and interest charges n/a = not available
 2. Thunder Bay prices are based on the Winnipeg Commodities Exchange market close (Cash price)

Source: Market Analysis Division, Agriculture and Agri-Food Canada

Contact: André Doumbé: Statistical Clerk (204) 983-0581 Fax: (204) 983-5524 e-mail: doumbea@agr.gc.ca

Footnotes: All prices quoted in Canadian dollars per metric tonne.

Grain grades (unless otherwise specified) are: Canada Western Feed Wheat, Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn.

Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec.

Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable

A. SELLING PRICE OF BULK FEED INGREDIENTS AT SELECTED POINTS																		October 3, 2005					
SELECTED POINT	REFERENCE PERIOD	PRICE BASIS	(1) WHEAT	OATS	BARLEY	CORN	PRICE BASIS	SOYBEAN MEAL	CANOLA MEAL	MILL-FEEDS	MEAT MEAL	FISH MEAL	ANIMAL FAT	GLUTEN MEAL	GLUTEN FEED	FEED PEAS	DEHY ALFALFA	FEATHER MEAL					
Vancouver BC	October 3, 2005	FOB	N/A	N/A	N/A	133.00		256.00	150.00	105.00		850.00	460.00					405.00					
(4) (7)	September 26, 2005		N/A	N/A	N/A	134.00		264.00	147.00	108.00		850.00	460.00					415.00					
Calgary	October 3, 2005	FOB	N/A	N/A	N/A	N/A		250.50			130.00	975.00	495.00					390.00					
AB	September 26, 2005		N/A	N/A	N/A	N/A		255.00			135.00	975.00	495.00					390.00					
Saskatoon	October 3, 2005	FOB	89.50	118.00	81.00	N/A		255.00	N/A		135.00	N/A	495.00			113.67		430.00					
(4)	September 26, 2005		88.50	118.00	81.50	N/A		261.00	N/A		140.00	N/A	495.00			113.67		430.00					
Winnipeg	October 3, 2005	FOB	132.50	140.00	108.50	N/A		245.00	N/A		290.00	1037.50	525.00					370.00					
(4) (9)	September 26, 2005		132.50	140.00	108.50	N/A		251.00	N/A		290.00	1037.50	525.00					370.00					
Thunder Bay	October 3, 2005	In-Store	109.00	N/A	104.15																		
ON	September 26, 2005		105.50	N/A	104.75																		
Lake Ports	October 3, 2005	On Board					82.51																
USA	September 26, 2005	Vessel					87.05																
(3)	September 26, 2005																						
Bay Ports	October 3, 2005	In-Store	139.00	200.00	124.00						193.00	N/A	460.00	425.00	114.00			480.00					
ON	September 26, 2005		139.00	200.00	118.00						193.00	N/A	460.00	425.00	114.00			470.00					
Chatham	October 3, 2005	Track					110.07																
ON	September 26, 2005						105.65																
Toronto	October 3, 2005	N/A																					
(5)	September 26, 2005																						
Hamilton	October 3, 2005	N/A						246.09	N/A														
ON	September 26, 2005							256.06	N/A														
Eastern	October 3, 2005	FOB					106.50																
ON	September 26, 2005						101.50																
London	October 3, 2005	FOB												425.00	114.00								
ON	September 26, 2005													425.00	114.00								
Port Colborne	October 3, 2005	FOB												425.00	114.00								
ON	September 26, 2005									47.50				425.00	114.00								
Cardinal	October 3, 2005	FOB								40.00				425.00	114.00								
ON	September 26, 2005													425.00	114.00								
Montreal	October 3, 2005		150.00	140.00	141.00	115.00		267.51	186.00	63.33	248.00	850.00	443.50	425.00	114.00			460.00					
QC	September 26, 2005		150.00	150.00	141.00	120.00	FOB	274.73	188.00	61.00	260.00	850.00	438.34	425.00	114.00			460.00					
(5)	September 26, 2005		141.80		141.30	116.33																	
Trois-Rivières	October 3, 2005	In-Store	136.00		140.50	118.99																	
QC	September 26, 2005		133.00	131.00	123.00	111.00		253.90															
St. Jean QC	October 3, 2005	FOB	133.00	132.50	124.50	112.50		262.35															
(2)	September 26, 2005		144.60	N/A	157.15	118.46		262.01	185.92														
St. Hyacinthe QC	October 3, 2005	In-Store	144.67	N/A	157.59	119.92		273.12	189.97														
Quebec	September 26, 2005		174.10	167.20	154.20	154.20		322.00	258.86														
QC	October 3, 2005	Track	175.78	167.20	155.85	155.85	FOB	324.25	258.86		247.10		N/A					460.00					
Truro	October 3, 2005		N/A	N/A	N/A	N/A																	
NS	September 26, 2005	Water	N/A	N/A	N/A	N/A																	
Truro	October 3, 2005	& Truck	N/A	N/A	N/A	N/A																	
NS	September 26, 2005	In-Store	N/A	N/A	N/A	N/A																	
Halifax	October 3, 2005		N/A	N/A	N/A	N/A		313.50				1 050.00	N/A										
NS	September 26, 2005		N/A	N/A	N/A	N/A		321.00				1 050.00	N/A										

Source: Market Analysis Division, Agriculture and Agri-Food Canada; Thunder Bay prices are based on the Winnipeg Commodity Exchange (WCE) market close
 Contact: André Dombé, Statistical Clerk Telephone: (204) 983-0581 Fax: (204) 983-5524 Email: dombear@agr.gc.ca

US\$1.00=CANS\$1.6611, closing date September 30, 2005
 N/A = not available

Footnotes: All prices in Canadian dollars per metric tonne based on survey respondents.
 Grain grades (unless otherwise specified) are: Western or Eastern Feed Wheat, Feed Oats, No. 1 Canada Western or Eastern Barley, No. 2 Canada Yellow Corn, No. 3 US Yellow Corn.
 Soybean Meal 48 % Protein. Canola Meal based on minimum standard of 35% Protein. Fish Meal: white fish and/or herring meal. Gluten Meal 60% Protein. Gluten Feed 21% Protein.

(1) Wheat 3CWRs (2) Canadian Corn #3 or #2 (3) US Corn (4) Fish Meal from West Coast 63% Protein (5) Fish Meal 60% Protein (6) Herring Fish Meal (7) Fraser Valley (8) Wheat & Barley (Basis - Cash Price WCE) (9) Oats 3CW

CANADA: PULSE AND SPECIAL CROPS SUPPLY AND DISPOSITION

October 7, 2005

Grain and Crop Year (a)	Area Seeded	Area Harvested	Yield	Production	Imports (b)	Total Supply	Exports (b)	Total Domestic Use (d)	Carry-out Stocks	Average Price (e)
	000 ha		t/ha							\$/t
----- thousand metric tonnes -----										
Dry Peas										
2001-2002	1,344	1,285	1.57	2,023	27	2,245	1,381	589	275	190
2002-2003	1,297	1,050	1.30	1,365	41	1,681	628	743	310	210
2003-2004	1,303	1,271	1.67	2,124	24	2,458	1,316	937	205	175
2004-2005	1,388	1,345	2.48	3,338	56	3,599	1,856	1,148	595	135
2005-2006f	1,410	1,367	2.32	3,172	70	3,837	2,030	1,207	600	110-140
Lentils										
2001-2002	708	664	0.85	566	6	828	478	219	131	320
2002-2003	601	387	0.91	354	9	494	320	119	55	390
2003-2004	554	536	0.97	520	5	580	368	174	38	420
2004-2005	778	750	1.28	962	10	1,010	449	316	245	310
2005-2006f	860	815	1.47	1,200	15	1,460	600	310	550	245-275
Dry Beans										
2001-2002	184	175	1.70	298	42	380	263	82	35	725
2002-2003	230	219	1.89	414	40	489	298	96	95	445
2003-2004	167	167	2.13	356	31	482	344	83	55	495
2004-2005	163	126	1.75	220	28	303	277	21	5	650
2005-2006f	199	168	1.76	295	45	345	280	45	20	535-565
Chickpeas										
2001-2002	486	467	0.97	455	12	497	146	211	140	380
2002-2003	221	154	1.01	156	9	305	105	140	60	300
2003-2004	63	63	1.08	68	2	130	74	36	20	330
2004-2005	47	39	1.31	51	4	75	46	24	5	385
2005-2006f	77	76	1.47	112	5	122	75	37	10	415-445
Mustard Seed										
2001-2002	166	158	0.66	105	3	213	171	9	33	685
2002-2003	289	255	0.60	154	9	196	114	22	60	595
2003-2004	340	328	0.69	226	2	288	121	75	92	390
2004-2005	317	304	1.01	306	1	399	119	86	194	295
2005-2006f	217	212	1.00	212	1	407	140	87	180	280-310
Canary Seed										
2001-2002	170	163	0.70	114	0	184	134	20	30	660
2002-2003	287	227	0.78	176	0	206	164	22	20	575
2003-2004	251	243	0.93	226	0	246	167	12	67	345
2004-2005	356	318	0.95	301	0	368	163	35	170	230
2005-2006f	204	195	1.22	238	0	408	180	43	185	195-225
Sunflower Seed										
2001-2002	73	67	1.55	104	29	179	92	65	22	355
2002-2003	100	95	1.65	157	21	200	105	60	35	440
2003-2004	119	115	1.30	150	16	201	96	80	25	405
2004-2005	87	59	0.92	54	35	114	32	64	18	490
2005-2006f	98	83	1.34	111	25	154	60	74	20	370-400
Buckwheat										
2001-2002	14	14	1.14	16	1	17	6	8	3	325
2002-2003	12	12	1.00	12	1	16	6	7	3	340
2003-2004	9	9	1.11	10	1	14	5	7	2	355
2004-2005	9	7	0.71	5	1	8	4	4	0	355
2005-2006f	7	5	1.00	5	1	6	3	3	0	340-370
Total Pulse And Special Crops ('c)										
2001-2002	3,131	2,993	1.23	3,681	120	4,543	2,671	1,203	669	
2002-2003	3,025	2,399	1.16	2,788	130	3,587	1,740	1,209	638	
2003-2004	2,797	2,732	1.35	3,680	81	4,399	2,491	1,404	504	
2004-2005	3,136	2,948	1.78	5,237	135	5,876	2,946	1,698	1,232	
2005-2006f	3,070	2,921	1.83	5,345	162	6,739	3,368	1,806	1,565	

(a) August-July crop year.

(b) Excludes products.

(c) Includes Pulse Crops (dry peas, lentils, dry beans, chick peas) and Special Crops (mustard seed, canary seed, sunflower seed, buckwheat)

(d) Includes food, feed, seed, waste and dockage. Total domestic use is calculated residually.

(e) Producer price, FOB plant. Average over all types, grades and markets.

f. forecast, Agriculture and Agri-Food Canada, October 7, 2005

Source: Statistics Canada and industry consultations.



CANADA: PULSE AND SPECIAL CROPS OUTLOOK

October 7, 2005

Total Canadian pulse and special crops production is estimated to increase by 2%, from 2004-05, to 5.35 million tonnes (Mt), based on Statistics Canada's (STC) September production estimates and AAFC forecasts where STC estimates were not available. Total supply increased by 15% to 6.74 Mt, due to higher production and higher carry-in stocks. Exports are forecast to increase by 14% and domestic use by 6% due to stronger demand, but carry-out stocks are also expected to increase. Average prices, over all types, grades and markets, are forecast to increase for chickpeas, decrease for dry peas, lentils, dry beans, canary seed and sunflower seed, and be the same for mustard seed and buckwheat.

STC's yield estimates are significantly higher than trend for Ontario, Saskatchewan and Alberta, and much below trend for Manitoba. Crop abandonment is estimated to be near normal, except for Manitoba where significantly higher than normal abandonment is estimated. Although harvest progress was delayed by rain and, in some cases, snow in western Canada, harvesting of dry peas and lentils is nearly complete in most areas. Most of mustard seed, dry beans, and chickpeas, and about half of canary seed and buckwheat have been harvested. The sunflower seed harvest has just started. Overall quality is expected to be better than in 2004-05, but generally lower than normal due to the precipitation in most areas of western Canada during harvest. The unharvested crops are generally sufficiently mature so that frost would not damage them. The main factor to watch is precipitation during the rest of the harvest period in Canada. Other factors to watch are the exchange rates of the Canadian dollar against the US dollar and other currencies, ocean shipping rates, and growing and harvest conditions in major producing regions, especially United States, India and Australia.

DRY PEAS

For 2005-06, production is estimated to decrease by 5%, as a 2% rise in seeded area is more than offset by lower yields. Production is expected to decrease for yellow, green and other types. Supply is estimated to increase by 7% due to higher carry-in stocks. World supply is expected to increase slightly to 12.45 Mt, but use is forecast to increase, resulting in stable carry-out stocks. Canadian exports and domestic use are expected to increase due to stronger demand in the food markets in Asia and in the feed markets in the EU and Canada. Carry-out stocks are forecast to remain stable, with a stocks-to-use (s/u) ratio of 19%. The average price, over all types, grades and markets, is forecast to decrease due to the higher world supply.

LENTILS

For 2005-06, production and supply are estimated to increase significantly, due to an 11% rise in seeded area, higher yields and higher carry-in stocks. Production is expected to increase for large green, small green and red types, but remain stable for the medium green type. World supply is forecast to increase by 15% to 4.49 Mt. Although world use is expected to increase because of higher demand, resulting mostly from lower prices, carry-out stocks are forecast to rise. Canadian exports are expected to increase by 34% due to the higher demand. Carry-out stocks are forecast to rise significantly, with a s/u ratio of 60%. The average price, over all types and grades, is forecast to decrease because of the higher world supply.

DRY BEANS

For 2005-06, production and supply are estimated to increase, due to a 22% rise in seeded area and lower abandonment. Production is expected to increase for white pea, pinto, black, dark and light red kidney, and cranberry beans, but remain stable for Great Northern, small red and pink beans.

US production is estimated to increase by 44% to 1.12 Mt, while supply increases by only 20% to 1.26 Mt due to lower carry-in stocks. Canadian exports are forecast to increase slightly due to higher supply. Carry-out stocks are expected to increase, but remain low. The average price, over all classes and grades, is forecast to decrease due to the higher US and Canadian supply.

CHICKPEAS

For 2005-06, production and supply are estimated to increase, because of a 65% increase in seeded area, lower abandonment and higher yields. Production is expected to increase for large and small kabuli types, but remain stable for the desi type. World supply is expected to increase marginally to 8.97 Mt. Canadian exports are forecast to increase due to the higher supply. Carry-out stocks are expected to increase, but remain low. The average price, over all types, grades and sizes, is forecast to increase due to higher quality and a shift to the production of the higher priced kabuli types.

MUSTARD SEED

For 2005-06, production is estimated to decrease by 31% because of a 32% fall in seeded area. Production is expected to decrease for all types, yellow, brown and oriental. Supply is estimated to increase slightly due to higher carry-in stocks. Although exports are forecast to rise due to higher demand, carry-out stocks are forecast to decrease only slightly, with a s/u ratio of 79%. The average price, over all types and grades, is expected to be the same as in 2004-05 as higher quality offsets pressure from the higher supply.

CANARY SEED

For 2005-06, production is estimated to decrease by 21%, as a 43% fall in seeded area is mostly offset by higher yields. Supply is estimated to increase by 11%, as higher carry-in stocks more than offset the

fall in production. World supply, 90% of which is in Canada, is forecast to increase by 10% to 448,000 t. Although Canadian exports are expected to increase due to higher demand, carry-out stocks are forecast to rise, with a s/u ratio of 83%. The average price is forecast to decrease because of the higher world supply.

SUNFLOWER SEED

For 2005-06, production and supply are estimated to increase due to a 12% rise in seeded area, lower abandonment and higher yields. Production is expected to increase for both types, confectionery and oilseed. US supply is forecast to increase by 49% to 1.62 Mt. World supply is expected to increase by 6% to 29.0 Mt. Canadian exports and domestic use are forecast to increase because of the higher supply. Carry-out stocks are expected to increase slightly, but remain low. The average price, over both types and all grades, is forecast to decrease because of the higher US and Canadian supply.

BUCKWHEAT

For 2005-06, Canadian production is forecast to remain stable, as a lower seeded area is offset by lower abandonment and higher yields. Supply is expected to decrease due to lower carry-in stocks. Exports and domestic use are forecast to decrease, and carry-out stocks are expected to be negligible. The average price is forecast to be the same as in 2004-05.

FURTHER INFORMATION:

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CANADA: GRAINS AND OILSEEDS SUPPLY AND DISPOSITION

October 7, 2005

Grain and Crop Year (a)	Area		Yield t/ha	Production	Imports	Total	Exports	Food &	Feed,	Total	Carry-out	Average
	Seeded	Harvested			(b)	Supply	(c)	Industrial	Waste &	Domestic	Stocks	Price (f)
	-----000 ha-----				thousand metric tonnes									$/t
Durum												
2003-2004	2,483	2,459	1.74	4,280	1	5,900	3,427	252	219	683	1,789	224.21
2004-2005	2,230	2,141	2.32	4,962	1	6,752	3,218	240	555	1,013	2,521	200 *
2005-2006F	2,252	2,228	2.41	5,378	1	7,900	3,700	245	565	1,000	3,200	188 *
Wheat Except Durum												
2003-2004	8,179	8,009	2.41	19,272	16	23,395	12,299	2,775	3,223	6,805	4,291	206.03
2004-2005	8,169	7,722	2.71	20,898	13	25,203	11,586	2,791	4,567	8,145	5,471	188 *
2005-2006F	7,863	7,603	2.65	20,169	15	25,655	13,500	2,800	3,975	7,655	4,500	189 *
All Wheat												
2003-2004	10,662	10,467	2.25	23,552	18	29,295	15,727	3,027	3,442	7,488	6,080	
2004-2005	10,339	9,862	2.62	25,860	14	31,954	14,805	3,032	5,122	9,158	7,992	
2005-2006F	10,116	9,831	2.60	25,547	16	33,555	17,200	3,045	4,540	8,655	7,700	
Barley												
2003-2004	5,046	4,446	2.77	12,328	36	13,838	2,456	287	8,579	9,280	2,102	135.8
2004-2005	4,678	4,050	3.26	13,186	80	15,368	1,862	263	9,348	10,017	3,489	112.15
2005-2006F	4,481	3,880	3.13	12,133	30	15,652	2,500	360	10,002	10,752	2,400	100-120
Corn												
2003-2004	1,265	1,226	7.82	9,587	2,108	12,805	353	2,415	8,882	11,310	1,143	137.18
2004-2005	1,185	1,072	8.24	8,836	2,413	12,391	203	2,395	7,980	10,387	1,802	100.68
2005-2006F	1,131	1,094	7.73	8,452	2,000	12,254	150	2,450	8,389	10,854	1,250	90-110
Oats												
2003-2004	2,272	1,575	2.34	3,691	19	4,234	1,557	140	1,581	1,888	788	136.65
2004-2005	1,995	1,315	2.80	3,683	25	4,496	1,672	110	1,555	1,836	988	130.68
2005-2006F	1,875	1,342	2.48	3,334	15	4,337	1,600	140	1,527	1,837	900	120-140
Rye												
2003-2004	246	147	2.22	327	0	352	172	47	47	112	68	104.44
2004-2005	284	165	2.53	418	1	487	122	48	155	220	145	70-80
2005-2006F	218	167	2.31	386	1	532	150	48	167	232	150	70-90
Mixed Grains												
2003-2004	241	135	2.84	384	0	384	0	0	384	384		
2004-2005	220	111	2.87	318	0	318	0	0	318	318		
2005-2006F	211	108	2.69	292	0	292	0	0	292	292		
Total Coarse Grains												
2003-2004	9,070	7,529	3.50	26,317	2,162	31,613	4,538	2,889	19,474	22,975	4,101	
2004-2005	8,362	6,713	3.94	26,441	2,519	33,061	3,859	2,817	19,356	22,778	6,424	
2005-2006F	7,915	6,591	3.73	24,596	2,046	33,066	4,400	2,998	20,376	23,966	4,700	
Canola												
2003-2004	4,736	4,689	1.44	6,771	243	7,908	3,754	3,390	113	3,545	609	387.04
2004-2005	5,319	4,938	1.57	7,728	107	8,444	3,412	3,031	326	3,402	1,629	309.15
2005-2006F	5,374	5,154	1.64	8,447	150	10,226	3,900	3,200	581	3,826	2,500	260-300
Flaxseed												
2003-2004	745	728	1.04	754	20	903	609	n/a	n/a	202	93	382.13
2004-2005	728	528	0.98	517	38	648	468	n/a	n/a	150	30	n/a
2005-2006F	844	811	1.28	1,035	20	1,085	700	n/a	n/a	235	150	305-345
Soybeans												
2003-2004	1,051	1,047	2.17	2,268	587	3,000	914	1,500 ^{1/}	319	1,947	140	395.04
2004-2005	1,229	1,178	2.59	3,048	390	3,578	1,115	1,610 ^{1/}	457	2,193	270	248
2005-2006F	1,176	1,162	2.59	3,007	250	3,527	1,100	1,750 ^{1/}	417	2,277	150	200-240
Total Oilseeds												
2003-2004	6,531	6,464	1.52	9,794	850	11,811	5,277	n/a	n/a	5,693	841	
2004-2005	7,277	6,643	1.70	11,293	535	12,669	4,995	n/a	n/a	5,745	1,929	
2005-2006F	7,394	7,128	1.75	12,489	420	14,838	5,700	n/a	n/a	6,338	2,800	
Total Grains And Oilseeds												
2003-2004	26,263	24,461	2.44	59,663	3,029	72,719	25,541	n/a	n/a	36,156	11,022	
2004-2005	26,038	23,219	2.74	63,595	3,068	77,684	23,659	n/a	n/a	37,681	16,345	
2005-2006F	25,425	23,549	2.66	62,632	2,482	81,459	27,300	n/a	n/a	38,959	15,200	

(a) August - July crop year except corn and soybeans which are September - August.

(b) Excludes imports of products. (c) Includes exports of products for wheat, oats, barley, and rye. Excludes exports of oilseed products.

(d) Total Domestic Use = Food and Industrial Use + Feed Waste & Dockage + Seed Use

(e) Industrial use excludes flaxseed due to data confidentiality.

(f) Crop year average prices: No.1 CWRS 11.5% protein and No.1 CWAD 11.5% (CWB final price I/S St. Lawrence/Vancouver), Barley (No. 1 feed, WCE, cash, I/S Lethbridge), Corn (No.2 CE, cash, I/S Chatham), Oats (US No. 2 Heavy, CBoT nearby futures); Rye (No.2 Canada, Elevator bids at select western delivery points); Canola (No. 1 Canada, WCE, cash, I/S Vancouver); Flaxseed (No. 1 CW, WCE, cash, I/S Thunder Bay); Soybeans (No. 2, I/S Chatham).

* CWB Pool Return Outlook (PRO) - September 22, 2005

1/ Source for Food and Industrial Use is based on data from the Canadian Oilseed Processors Association.

F: forecast - Agriculture and Agri-Food Canada - October 7, 2005

Source: Statistics Canada, Cereals and Oilseeds Review Series, Cat. No. 22-007



CANADA: GRAINS AND OILSEEDS OUTLOOK

October 7, 2005

For 2005-06, Canadian grain and oilseed (G&O) production is estimated by AAFC to decrease to 62.6 million tonnes (Mt), from 63.6 Mt in 2004-05, versus the 10-year average of 59.2 Mt, based on Statistics Canada's "September Estimate of Production of Principal Field Crops, Canada, 2005". Production in western Canada is estimated to decrease slightly from 2004-05, to 47.9 Mt, with lower yields more than offsetting higher harvested area. The harvest in western Canada is about 70% complete, about 10 days behind normal due to wet conditions in many regions. The quality of the crop is expected to be below normal, although better than last year's poor quality crop. In eastern Canada, production is estimated to be down by 4% from 2004-05 at 14.9 Mt. In Ontario and Quebec, generally hot and dry weather reduced yields and lowered the production of corn and soybeans.

Total supply of G&O in Canada is forecast to increase to a record 81.5 Mt, due to sharply higher carry-in stocks. Exports are forecast to increase by 15% to 27.3 Mt. Total domestic usage is also forecast to increase but carry-out stocks will remain historically high. Generally, world wheat and corn prices are forecast to be similar to last year, with soybean prices expected to decrease. Prices in Canada will continue to be pressured by the strong Canadian dollar. The major factors to watch are: harvest conditions in Canada and the US, import demand from China, EU export subsidies, ocean freight rates, Canadian trade investigations into imports of US corn, and the Canada/US exchange rate.

WHEAT (ex-durum)

For 2005-06, production is estimated to decline by 4%, but remain slightly above the 10-year average. Despite the smallest seeded area since 1974-75, yields are a near-record 39.4 bu/ac. Total supply is up marginally, due to higher carry-in stocks. The percent of the crop falling into the top grades is expected to be lower than normal, although better than 2004-05, and the carry-in stocks are also estimated to be mainly of lower grades. As a result, domestic feed use is forecast to decrease from last year but remain higher than normal. Due to increased supplies of milling quality, exports are forecast to rise by 17%. Much of the lower quality wheat is expected to be absorbed by the domestic feed industry. Carry-out stocks are forecast to decline. The Canadian Wheat Board (CWB) September Pool Return Outlook (PRO) is equal to or above 2004-05 for most grades and classes of wheat, except high protein No.1 CWRS. Protein premiums are forecast to decline from last year, due to larger supplies of high quality spring wheat, but remain above the previous 3 years.

DURUM

Production is estimated to rise by 8% due to yields which are 4% above 2004-05, and 19% above the 10-year average. Total supply is up by 17% at a record 7.9 Mt. Exports are expected to increase by 15% due to higher demand from major importers resulting from dryness in North Africa and southern Europe. However, more competition from other exporters and the inelastic nature of durum demand will pressure exports. As a result, carry-out stocks are projected to rise by 27% to a record 3.2 Mt, equal to 70% of 10-year average production. It is therefore unlikely that the CWB will be able to accept delivery of all durum offered by farmers in 2005-06, and farm-held stocks are forecast to increase by almost 70% to a record 1.7 Mt. The CWB 2005-06 PRO is significantly below 2004-05 for all milling grades, due to larger supplies in both the US and Canada.

BARLEY

Production is estimated to fall by 8% from 2004-05, as a result of lower area and yields. Total supply, however, is projected to increase slightly due to high carry-in stocks which resulted from the large production of low-quality barley in 2004-05. The quality of the 2005-06 crop is estimated to be below normal. Exports are forecast to rise by 34% due to higher feed barley exports. Carry-out stocks are expected to drop significantly, returning to a near-normal level. The off-Board feed barley price is forecast to decline slightly. Malting barley prices will be pressured by higher world production, with the CWB PRO for Special Select 2-Row down by \$8/t from 2004-05 at \$171/t.

OATS

Production is estimated to decrease by 10% due to lower yields. Total supply is expected to decline by 4%, as lower production more than offsets higher carry-in stocks. Exports are forecast to decline marginally due to lower US import demand. Carry-out stocks are expected to decrease. Feed oat prices are forecast to be similar to 2004-05.

CORN

Production is estimated to decline by 4% because of lower yields. However, carry-in stocks are significantly higher than for 2004-05, so that domestic supply is estimated to increase by 3%. Corn imports, mainly from the US into eastern Canada, are therefore expected to decrease by 17%. Food and industrial use is forecast to rise, as a result of increased ethanol production. Canadian prices are expected to be similar to 2004-05, as the impact of lower US corn prices and the strong Canadian dollar is offset by lower carry-out stocks in Canada.

CANOLA

Production is estimated to rise by 9% to the second highest level on record. Total supply is expected to increase by 21% because of significantly higher carry-in stocks. Crop quality is expected to be slightly above normal due to good growing conditions across the western prairies, which have

more than offset the excessive moisture and poor crops in eastern Manitoba. Domestic crush and exports are forecast to rise by only 6% and 14% respectively, due to competition from large supplies of palm oil and soybeans in competing countries. Carry-out stocks are forecast to increase sharply, to a record 2.5 Mt. The average price is forecast to fall, under pressure from low US soyoil prices and the burdensome carry-out stocks in Canada.

FLAXSEED (excluding solin)

Production is estimated to double, reaching the highest level since 1998-99, due to significantly higher seeded area and yields. Total supply is expected to rise by 67%. Exports are forecast to increase sharply on support from high domestic supplies, strong EU demand and higher crude oil prices. Carry-out stocks are expected to rise sharply, but are not expected to be burdensome. The average price is expected to decline.

SOYBEANS

Production is estimated to fall marginally due to lower seeded area. Domestic supply is estimated to increase due to significantly higher carry-in stocks. Imports from the US are expected to decrease by 36%. Domestic use is expected to rise to a near record level. Exports are forecast to decrease only marginally despite competition from large US and South American supplies. The average Chatham price is forecast to fall, due to weaker world soybean prices and the strong Canadian dollar.

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Bi-weekly Bulletin

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BUCKWHEAT / FLAXSEED

BUCKWHEAT: SITUATION AND OUTLOOK

Buckwheat has many uses and is rated as one of the best sources of high biological value protein in the plant kingdom. In spite of its name, buckwheat is technically a fruit or a nut rather than a cereal grain. Although production in Canada has fallen to a low level, it is expected to increase over the longer term with the development of new varieties and increased consumption in Canada and the United States (US). This issue of the *Bi-weekly Bulletin* examines the situation and outlook for buckwheat.

WORLD

World buckwheat production has been variable, but trending downwards during the past 10 years. China generally produces about 50% of the world's buckwheat, Russia about 20% and Ukraine about 15%.

World buckwheat exports averaged 173,000 tonnes per year during the 5 year period ending in 2004. China normally accounts for about 75% of the exports and Japan normally accounts for about 60% of the imports.

CANADA

Production

Buckwheat is a broadleaf plant which grows best in well drained light to medium textured

soils. Seeding normally takes place in the early part of June, after the risk of frost is gone. It matures in 80-90 days and makes an excellent rotation with cereal grains. It requires less nitrogen than cereal crops and is very efficient at removing phosphorus from the soil for its own needs. It also increases the phosphorus available for subsequent crops through its decomposing residue. Buckwheat is susceptible to stress during dry periods because the stomata stays open causing the plant to wilt. Weed control in buckwheat is a challenge since there are few herbicides available, particularly for broadleaf weeds. Since it is sown late, weeds are generally controlled with cultivation before seeding. Canadian buckwheat is normally harvested in September and early October.

acid composition that is complementary to cereal grains, and buckwheat is high in iron, potassium, magnesium, sulfur and phosphorus, as well as vitamins B and P. Buckwheat is virtually fat free and is gluten free. An important by-product of buckwheat production is buckwheat honey, produced from nectar collected from buckwheat flowers by bees.

Buckwheat is milled into light or dark flour or processed into groats, the meat of the seed, and grits which are essentially cracked groats. Buckwheat flour is mixed with wheat flour to make noodles called Soba in Japan. Large seeded varieties, such as Koban and Koto, have a starch content about 7-8% higher than other varieties. In addition, the starch is softer, which makes the noodles chewy. This is a desirable trait. It also enables Japanese buckwheat millers to use up to 80% buckwheat in their noodle mixes compared to the usual blend of 50% buckwheat and 50% wheat flour. Buckwheat flour is also used for pancake mixtures or mixed with wheat flour for baking bread, rolls and cakes. As well, it is mixed with semolina to make pasta and is used in breakfast cereals, puffed snacks and stuffing. Since buckwheat does not contain gluten, it can be used to produce flour rich in high quality proteins, valuable for people with gluten sensitive enteropathy (celiac disease).

The groats and grits can be eaten plain, roasted or flavoured. Roasted groats and grits are called "kasha" in central and eastern Europe and are eaten as a porridge or used as a stuffing. The groats are also used to decorate bread and other baked goods. They are also used as a meat substitute or extender, for stuffing meats and vegetables, for mixing in soups and stews, and as a side dish. Buckwheat is also used in the manufacture of beer and ice cream.

Buckwheat production in Canada has been trending downwards during the past 20 years. Although buckwheat is produced from the Maritimes to Alberta, Manitoba normally accounts for more than half of Canadian production, with most of the rest produced in Ontario and Quebec.

Uses

Buckwheat is very nutritious and is used to make a wide range of products. The protein of buckwheat is comparable to animal-based proteins and is easily digestible. It has a well-balanced amino

WORLD: BUCKWHEAT PRODUCTION

	2001 -2002	2002 -2003	2003 -2004	2004 -2005	2005 -2006f
Harvested Area (kha)	3,089	2,051	2,133	2,621	2,500
Average Yields (t/ha)	0.84	0.89	1.19	1.09	1.04
.....thousand tonnes.....					
China	1,250	968	1,340	1500	1400
Russia	574	302	525	650	550
Ukraine	388	209	311	293	300
France	59	81	102	138	80
United States	65	65	65	65	65
Poland	59	40	44	59	50
Brazil	50	48	48	48	50
Kazakhstan	45	30	30	24	30
Japan	26	25	26	27	25
Canada*	16	12	10	5	5
Other	55	41	42	59	45
Total World	2,587	1,821	2,543	2,868	2,600

f: forecast, AAFC - October 2005

Source: FAO, except *Statistics Canada - October 2005

WORLD: BUCKWHEAT EXPORTS

calendar year	2000	2001	2002	2003	2004
.....thousand tonnes.....					
China	106	104	96	184	137
Netherlands*	9	10	7	11	13
United States	12	17	7	10	11
Canada	9	7	5	5	5
Ukraine	1	9	6	3	5
Poland	6	7	3	1	1
Russia	7	10	1	1	1
Other	8	6	9	7	7
Total	158	170	134	222	180

* re-exports

WORLD: BUCKWHEAT IMPORTS

calendar year	2000	2001	2002	2003	2004
.....thousand tonnes.....					
Japan	97	93	91	92	90
Russia	13	1	3	72	28
France	9	14	8	8	7
Netherlands	14	13	10	16	18
United States	5	6	3	3	4
Other	30	37	36	35	34
Total	168	164	151	226	181

Source: FAO, Global Trade Atlas & Statistics Canada – October 2005

Some light weight buckwheat seed is used for bird seed mixtures. The hull can be used to make pillows and heating pads.

Marketing

All of the buckwheat produced in Canada is sold on the open market to dealers. It is normally sold within a year after harvest, as it tends to lose its value when new crop starts to come into the market.

The Canadian Special Crops Association (CSCA) (www.specialcrops.mb.ca) establishes trade rules for domestic trade and serves as a forum for exporters, dealers and brokers involved in the industry of trading Canada's pulse and special crops, including buckwheat. The website includes a section where buyers can submit a request for prices and information on buckwheat uses, nutrition and health benefits.

The Canadian Grain Commission (CGC) administers quality control standards for buckwheat. For further information, or to access the Official Grain Grading Guide, please visit the CGC website: www.grainscanada.gc.ca

Domestic Use, Exports and Prices

There are several small processors of buckwheat in Canada, concentrating on milling buckwheat for flour, groats and grits, including for the organic food market. Some buckwheat is used in bird seed mixtures.

Japan and the US are the main markets for Canadian buckwheat. Canadian buckwheat imports are mainly from the US.

Average Canadian prices, over all grades and markets, have been relatively stable during the past ten years. Most

of the buckwheat is grown under contract which guarantees the price for part, or all, of the production before seeding.

OUTLOOK**2005-2006**

World buckwheat production is forecast to decrease from the higher than trend production level in 2004-05.

Canadian production is forecast to remain stable, as a decrease in seeded area is offset by higher yields. However, supply is forecast to fall because of lower carry-in stocks, resulting in lower exports and domestic use. Carry-out stocks are expected to be negligible. The average price, over all grades and markets, is forecast to remain stable.

Canada: Longer Term

There are three main challenges which are limiting buckwheat production in Canada: (1) low yields, (2) lack of frost tolerance, and (3) the difficulty in controlling weeds. Work is underway in all three areas and improvements would increase the economic viability of buckwheat production.

Another method of improving the economic viability of buckwheat production is to increase demand and strengthen prices. This involves the development of varieties which are more desirable in Japan and by promoting the health benefits of eating buckwheat products to the consumers in North America.

The North American Buckwheat Promotion Committee is working "to develop and promote expanding use of buckwheat and its products by creating awareness of buckwheat's natural nutritional advantages".

Buckwheat has the potential to be used in pharmaceutical and nutraceutical products. It is high in lysine, an amino acid used in nutraceuticals. Buckwheat contains antioxidants: rutin, quercetin, hyperoside, catechin, epicatechin and proanthocyanidins.

Higher use in Canada and the US, as well as higher shipments to Japan and other overseas markets, would increase production, increase crop diversification and expand domestic processing.

For periodic updates on the situation and outlook for buckwheat, visit Market Analysis Division Online for "Canada: Pulse and Special Crops Outlook."

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CANADA: BUCKWHEAT SUPPLY AND DISPOSITION

August-July crop year	2001 -2002	2002 -2003	2003 -2004	2004 -2005	2005 -2006f
Seeded Area (kha)	14	12	9	9	7
Harvested Area (kha)	14	12	9	7	5
Yield (t/ha)	1.14	1.00	1.11	0.71	1.00
.....thousand tonnes.....					
Carry-in stocks	0	3	3	2	0
Production	16	12	10	5	5
Imports	1	1	1	1	1
Supply	17	16	14	8	6
Exports:					
United States	2.8	1.7	2.7	1.8	1.3
Japan	3.0	4.0	1.9	1.4	1.3
Other	0.2	0.3	0.4	0.8	0.4
Total Exports	6	6	5	4	3
Total Domestic Use	8	7	7	4	3
Total Use	14	13	12	8	6
Carry-out Stocks	3	3	2	0	0
Seeded Area (kac)	35	30	22	22	17
Harvested Area (kac)	35	30	22	17	12
Yield (bu/ac)	21	19	21	13	19
Average producer price*					
Yellow \$/t	325	340	355	355	340-370
\$/bu	7.08	7.40	7.73	7.73	7.40-8.05

* Canada, average over all grades and markets

f: forecast, Agriculture and Agri-Food Canada, October 2005

Source: Statistics Canada and AAFC

FLAXSEED: SITUATION AND OUTLOOK

Canada continues to be the world's largest producer and exporter of flaxseed, representing about 80% of world trade. As a result, Canadian supply conditions have a major impact on the world flaxseed market. Canada has exported an average of almost \$250 million per year in flaxseed for the past 5 years. For 2005-2006, Canadian supplies are forecast to rise by about two-thirds as the largest flaxseed crop in recent history is moderated by record low carry-in stocks. Exports are also expected to increase significantly. Prices are projected to fall sharply, to a near normal \$325 a tonne (/t), from over \$500/t for much of 2004-2005. This issue of the *Bi-weekly Bulletin* examines the situation and outlook for flaxseed for 2005-2006 and 2006-2007.

WORLD

World production of the 10 major oilseeds (soybeans, cottonseed, canola/rapeseed, peanuts, sunflower seed, palm kernels, copra, sesame seed, flaxseed, and castorseed) is estimated at 377.3 million tonnes (Mt) in 2005-2006, an increase of only 3 Mt over 2004-2005. Flaxseed production is estimated at 2.60 Mt, less than one percent of world output.

World production of flaxseed has ranged between 2.0 Mt and 2.5 Mt over the past 5 years. By contrast, the world flaxseed crush has averaged a stable 1.86 Mt annually over the past five years. The EU-25 has the largest domestic crushing sector followed by China and the US. The crushing process produces two products, linseed (flaxseed) oil and linseed (flaxseed) meal.

For 2004-2005, world processing of flaxseed declined slightly to 1.82 Mt from 1.92 Mt in 2003-2004, because of a reduced EU-25 crush. Flaxseed was in short supply following a mid-August frost across the major flaxseed growing regions in Canada which struck a late seeded and immature crop. As a result, both crop volume and quality were in short supply,

resulting in demand rationing of Canadian flaxseed into the EU-25.

The reduced EU crush was mostly offset by an increase in US crush to about 0.37 Mt for 2004-2005. The increase in US crush was supported by increased imports from Canada and by a stable US production of 0.27 Mt. Chinese crushing of flaxseed remained stable at 0.42 Mt supported by the availability of domestic supplies.

Trade

For 2004-2005, world trade in flaxseed declined sharply to 0.64 Mt, from 0.82 Mt the previous year due to production problems in Canada. Most of the world trade in flaxseed consists of Canadian exports to the EU-25 and to the US. Minor volumes are exported from the US and Argentina, with North American shipments ranging from 11,000 t to 100,000 t over the past five years while Argentine exports peaked at 23,300 t in 2004-2005.

The EU-25 imports from 0.4 Mt to about 0.6 Mt of flaxseed annually, while the US typically imports 50,000 t to 150,000 t of flaxseed a year.

products, demand and prices for linseed oil are more affected by world crude oil prices than they are by other vegetable oils. Rising crude oil prices are expected to support the demand for linseed oil. Not surprisingly, the EU-25, China and the US are the major users of linseed oil. World trade in linseed oil is slightly above 0.1 Mt annually, with the EU-25 and the US each roughly accounting for one-third of the trade.

World linseed meal production ranges from 1.1 Mt to 1.4 Mt annually over the past 5 years. The EU-25 produces roughly about one-third of the world's linseed meal, followed by China at one-quarter and the US at slightly under one fifth market share. Most of the meal is consumed within the producing country with only about 60,000 t per year traded over the past six years. Of that, Canada accounted for about one-half of the world's exports in linseed meal which went to the US and the EU-25.

Situation

For 2005-2006, world production of flaxseed is estimated to rise by over 0.5 Mt on support from increased production in Canada and the US. World flaxseed supplies are expected to rise by about 25% as the higher output more than offsets the decline in carry-in stocks. World usage is projected to rise supported by increased supplies and higher crude oil prices which continue to trade at over US\$60 a barrel. World trade is forecast to rise by 36% because of higher Canadian exports to the EU-25. Carry-out stocks are forecast to rise sharply, with about one-half of the ending stocks located in Canada.

China is expected to be the world's second largest producer of flaxseed in 2005-2006, producing 0.48 Mt which is a slight increase from 2004-2005. Most of the linseed grown in China is processed domestically with only about 5,000 t expected to be exported. China is also not a major trader in linseed oil or meal.

The US is forecast to produce 0.43 Mt of flaxseed for 2005-2006, a sharp rise from the 0.27 Mt per year produced for the previous 3 years. The increase is due to a rise in seeded area resulting from the unusually high flaxseed prices of 2004-2005. Total supplies are forecast to rise to slightly under 0.6 Mt as the US imports about 0.12 Mt of flaxseed from Canada. Total American usage is expected to rise with about 0.55 Mt being processed

WORLD: FLAXSEED SUPPLY AND DISPOSITION

	2003 -2004	2004 -2005e	2005 -2006f
.....million tonnes.....			
Carry-in stocks	0.20	0.19	0.12
Production			
Canada*	0.75	0.52	1.04
China	0.45	0.46	0.48
United States	0.27	0.27	0.43
India	0.23	0.20	0.22
EU-25	0.17	0.16	0.17
Other	0.29	0.42	0.26
Total Production	2.16	2.03	2.60
Total Supply	2.36	2.22	2.72
Crush	1.92	1.82	2.03
Other	0.25	0.28	0.38
Total Use	2.17	2.10	2.41
Carry-out Stocks	0.19	0.12	0.31
Trade	0.82	0.64	0.87

e: estimate, Oil World, June 13, 2005

f: forecast, AAFC - October 2005

Source: Oil World, except *which is Statistics Canada

Linseed Oil and Meal

World production of linseed oil ranged from about 0.6 Mt to 0.7 Mt over the past 5 years. The major producers of linseed oil are the EU-25, the US and China. As it is commonly used in industrial products such as paints, paint thinners and linoleum, all of which compete against petroleum based

CANADA: FLAXSEED EXPORTS BY COUNTRY OF DESTINATION

August-July crop year	2003 -2004	2004 -2005p	2005 -2006f
.....thousand tonnes.....			
EU-25			
Belgium	462.9	312.5	500.0
Netherlands	0.0	0.0	20.0
Germany	0.0	0.0	1.0
Other	0.0	3.0	1.0
Total EU-25	462.9	315.5	522.0
United States	107.9	133.2	125.0
Japan	20.4	19.0	35.0
Egypt	17.4	0.0	18.0
World	608.6	467.8	700.0

p: preliminary

f: forecast, AAFC - October 2005

Source: Statistics Canada

domestically and around 0.05 Mt being exported. Linseed oil output is forecast to rise to 0.19 Mt while total meal production is about 0.36 Mt. Most of the oil and meal is expected to be consumed domestically, while about 50,000 t of linseed oil and 40,000 t of linseed meal is exported.

In the EU-25 for 2005-2006, the supply of flaxseed is forecast to rise as output rises marginally and imports are forecast to increase to 0.6 Mt, from 0.45 Mt, for 2004-2005. As a result, crushing of flaxseed is forecast to rise by 0.1 Mt, to 0.58 Mt, for 2005-2006 while about 0.18 Mt of flaxseed are destined for bakery products and animal feed, etc. Carry-out stocks are forecast at a minimal 30,000 t. Linseed oil production is forecast to rise to around 0.2 Mt, most of which will be consumed internally. Similarly, linseed meal output is forecast to return to a near normal 0.35 Mt, which will be largely consumed within the EU-25.

Canadian production of flaxseed is estimated to more than double for 2005-2006, partly the result of an over 50% increase in seeded area and partly because of a sharp rise in expected yields. However, total supplies are projected to increase by only 67% due to record low carry-in stocks. Exports are projected to rise to the highest level since 1998-1999 due to strong EU and US import demand as a result of spillover support from high crude oil prices. Total domestic use is forecast to rise by 56% as a result of higher crush, increased food consumption and higher feed, waste and dockage. Carry-out stocks are forecast to rise fivefold but at 0.15 Mt are not considered

CANADA: FLAXSEED SUPPLY AND DISPOSITION

August-July crop year	2003 -2004	2004 -2005	2005 -2006 ^f
Harvested Area (kha)	728	528	811
Average Yields (t/ha)	1.04	0.98	1.28
.....thousand tonnes.....			
Carry-in stocks	129	93	30
Production	754	517	1,035
Imports	20	38	20
Total Supply	903	648	1,085
Exports	609	468	700
Total Domestic Use	202	150	235
Total Use	811	618	935
Carry-out Stocks	93	30	150

Price* CAN\$/per tonne,
in-store, Thunder Bay

382

n/a

305

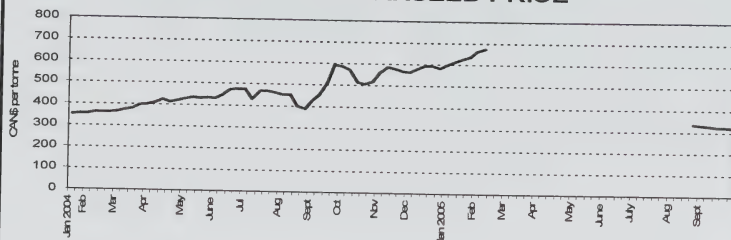
-345

* No. 1 CW, Winnipeg Commodity Exchange, cash
n/a = not available

f: forecast, AAFC - October 2005

Source: Statistics Canada

CANADA: FLAXSEED PRICE*



* No. 1 CW, cash, in-store Thunder Bay; Source: Winnipeg Commodity Exchange

FLAXSEED FUTURES CONTRACT

On September 8, 2005, the Winnipeg Commodity Exchange (WCE) announced that it was de-activating the flaxseed futures and options contracts from trading on the electronic trading platform. The WCE Oilseeds Committee is recommending to the WCE Board of Directors that the flaxseed futures and options contracts be de-listed due to the lack of liquidity in these contracts. The flaxseed futures contract has not traded since December 7, 2004. The Board of Directors will reconsider the recommendation at their meeting scheduled for October 19, 2005.

burdensome. Flaxseed prices are forecast to average about \$330/t for 2005-2006, a sharp decline from 2004-2005 due to increased supplies.

Canadian linseed oil production is forecast to rise slightly, but remain below 30,000 t for 2005-2006 with both imports and exports expected to range between 5,000 t to 10,000 t. Similarly, linseed meal production is forecast to rise to slightly below 50,000 t. About 20,000 t is expected to be exported, mostly to the US.

while flaxseed prices rise slightly on support from high crude oil prices.

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OUTLOOK

For 2006-2007, world flaxseed production is projected to decline slightly mainly due to lower production in Canada. However, total world supplies are projected to rise marginally as sharply higher carry-in stocks offset the drop in output. World crush of flaxseed is projected to rise marginally, to slightly over 2.0 Mt, indicating a slight increase in world linseed oil and linseed meal output. World trade is projected to rise slightly. Carry-out stocks are also projected to rise slightly.

For 2006-2007, the area seeded to flaxseed in Canada is expected to decrease under pressure from lower prices in 2005-2006. Total output of flaxseed is projected to decline to under 1.0 Mt due to the combination of lower area and lower yields. In early October, 30% of the flaxseed remained unharvested. Flaxseed supplies are projected to rise slightly as sharply higher carry-in stocks more than offset the decline in output. Exports and total domestic use are projected to remain stable. Carry-out stocks are forecast to rise

B. CASH PRICES AND REPLACEMENT VALUES

September 19, 2005

PRAIRIE GRAINS

Selected Points	Price Basis		This week 20-Sep-05	Last week 6-Sep-05	Month ago 22-Aug-05	Year ago 20-Sep-04
From: Thunder Bay(WCE) (2)	In-Store	Wheat	108.00	107.00	107.00	116.80
(CBOT)		Oat	160.25	142.25	149.50	165.40
(Lethbridge)		Barley	108.00	102.00	104.00	111.00
To: Bayport, ON (1)	In-store	Wheat	131.61	130.61	130.61	140.41
		Oat	N/A	N/A	N/A	N/A
		Barley	135.39	129.39	131.39	138.39
Montreal, QC (1)	In-store	Wheat	136.03	135.03	135.03	144.83
		Oat	N/A	N/A	N/A	N/A
		Barley	140.31	134.31	136.31	143.31
Moncton, NB	Truck via Halifax	Wheat	158.25	157.25	157.25	167.05
		Oat	N/A	N/A	N/A	N/A
		Barley	164.50	158.50	160.50	167.50
Truro, NS	Truck via Halifax	Wheat	152.22	151.22	151.22	161.02
		Oat	N/A	N/A	N/A	N/A
		Barley	162.00	156.00	158.00	165.00
Halifax, NS (1)	In-store	Wheat	143.28	142.28	142.28	152.08
		Oat	N/A	N/A	N/A	N/A
		Barley	148.30	142.30	144.30	151.30
Stephenville, NL	Track / Truck via Sydney	Wheat	206.63	205.63	205.63	215.43
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A
Melfort, SK		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A
Bayport, ON	Track	Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A
Montreal, QC	Track	Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A
Moncton, NB	Track	Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A
Truro, NS	Track	Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A
Stephenville, NL	Track / Truck via Sydney	Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A

Selected Points	Price Basis		This week 20-Sep-05	Last week 6-Sep-05	Last week 22-Aug-05	Year ago 20-Sep-04
Corn						
From: US Lake Port	On Board Vessel		86.74	94.61	98.09	125.49
To: Montreal, QC (1)	In-store		105.78	113.65	117.13	144.53
From: Chicago (IL)	Track		86.74	101.62	99.04	112.69
To: Montreal, QC	Track		115.60	130.48	127.90	141.55
From: Chatham, ON	Track		104.86	105.65	109.27	140.88
To: Montreal, QC	Track		128.73	129.52	133.14	164.75

Soymeal 48% Protein

From: Hamilton, ON			258.49	274.58	283.07	288.14
To: Montreal, QC	Track		282.82	298.91	307.40	312.47
Moncton, NB	Track		301.57	317.66	326.15	331.22
Truro, NS	Track		304.79	320.88	329.37	334.44
Stephenville, NL	Track / Truck via Sydney		353.42	369.51	378.00	383.07

1. Prices include ONE month of storage and interest charges n/a = not available
 2. Thunder Bay prices are based on the Winnipeg Commodities Exchange market close (Cash price)

Source: Market Analysis Division, Agriculture and Agri-Food Canada

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Footnotes: All prices quoted in Canadian dollars per metric tonne.

Grain grades (unless otherwise specified) are: Canada Western Feed Wheat, Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn.

Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec.

Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable

CANADA: PULSE AND SPECIAL CROPS SUPPLY AND DISPOSITION

September 20, 2005

Grain and Crop Year (a)	Area		Yield t/ha	Production	Imports (b)	Total Supply	Exports (b)	Total Domestic Use (d)	Carry-out Stocks	Average Price (e) \$/t
	Seeded 000 ha	Harvested 000 ha								
----- thousand metric tonnes -----										
Dry Peas										
2001-2002	1,344	1,285	1.57	2,023	27	2,245	1,381	589	275	190
2002-2003	1,297	1,050	1.30	1,365	41	1,681	628	743	310	210
2003-2004	1,303	1,271	1.67	2,124	24	2,458	1,316	937	205	175
2004-2005P	1,388	1,345	2.48	3,338	56	3,599	1,856	1,148	595	135
2005-2006F	1,410	1,364	2.37	3,228	40	3,863	2,050	1,213	600	115-145
Lentils										
2001-2002	708	664	0.85	566	6	828	478	219	131	320
2002-2003	601	387	0.91	354	9	494	320	119	55	390
2003-2004	554	536	0.97	520	5	580	368	174	38	420
2004-2005P	778	750	1.28	962	10	1,010	449	316	245	310
2005-2006F	860	847	1.44	1,219	5	1,469	600	319	550	255-285
Dry Beans										
2001-2002	184	175	1.70	298	42	380	263	82	35	725
2002-2003	230	219	1.89	414	40	489	298	96	95	445
2003-2004	167	167	2.13	356	31	482	344	83	55	495
2004-2005P	163	126	1.75	220	30	305	277	23	5	650
2005-2006F	203	172	1.77	304	40	349	280	49	20	530-560
Chickpeas										
2001-2002	486	467	0.97	455	12	497	146	211	140	380
2002-2003	221	154	1.01	156	9	305	105	140	60	300
2003-2004	63	63	1.08	68	2	130	74	36	20	330
2004-2005P	47	39	1.31	51	5	76	46	25	5	385
2005-2006F	77	72	1.39	100	5	110	65	35	10	410-440
Mustard Seed										
2001-2002	166	158	0.66	105	3	213	171	9	33	685
2002-2003	289	255	0.60	154	9	196	114	22	60	595
2003-2004	340	328	0.69	226	2	288	121	75	92	390
2004-2005P	317	304	1.01	306	1	399	119	86	194	295
2005-2006F	217	212	1.04	220	1	415	140	85	190	285-315
Canary Seed										
2001-2002	170	163	0.70	114	0	184	134	20	30	660
2002-2003	287	227	0.78	176	0	206	164	22	20	575
2003-2004	251	243	0.93	226	0	246	168	11	67	345
2004-2005P	356	318	0.95	301	0	368	163	35	170	230
2005-2006F	204	199	1.23	244	0	414	180	39	195	195-225
Sunflower Seed										
2001-2002	73	67	1.55	104	29	179	92	65	22	355
2002-2003	100	95	1.65	157	21	200	105	60	35	440
2003-2004	119	115	1.30	150	16	201	96	80	25	405
2004-2005P	87	59	0.92	54	35	114	32	64	18	490
2005-2006F	98	81	1.31	106	30	154	60	74	20	375-405
Buckwheat										
2001-2002	14	14	1.14	16	1	17	6	8	3	325
2002-2003	12	12	1.00	12	1	16	6	7	3	340
2003-2004	9	9	1.11	10	1	14	5	7	2	355
2004-2005P	9	7	0.71	5	1	8	4	4	0	355
2005-2006F	7	5	1.00	5	1	6	2	4	0	340-370
Total Pulse And Special Crops (c)										
2001-2002	3,131	2,993	1.23	3,681	120	4,543	2,671	1,203	669	
2002-2003	3,025	2,399	1.16	2,788	130	3,587	1,740	1,209	638	
2003-2004	2,797	2,732	1.35	3,680	81	4,399	2,492	1,403	504	
2004-2005P	3,136	2,948	1.78	5,237	138	5,879	2,946	1,701	1,232	
2005-2006F	3,075	2,952	1.84	5,426	122	6,780	3,377	1,818	1,585	

(a) August-July crop year.

(b) Excludes products.

(c) Includes Pulse Crops (dry peas, lentils, dry beans, chick peas) and Special Crops (mustard seed, canary seed, sunflower seed, buckwheat)

(d) Includes food, feed, seed, waste and dockage. Total domestic use is calculated residually.

(e) Producer price, FOB plant. Average over all types, grades and markets.

P: preliminary

F: forecast, Agriculture and Agri-Food Canada, September 20, 2005

Source: Statistics Canada and industry consultations.



CANADA: PULSE AND SPECIAL CROPS OUTLOOK

September 20, 2005

Total Canadian pulse and special crops production is estimated to increase by 4%, from 2004-05, to 5.43 million tonnes (Mt), based on Statistics Canada's (STC) July 31 production estimates and AAFC forecasts where STC estimates were not available. Total supply increased by 15% to 6.78 Mt, due to higher production and higher carry-in stocks. This report incorporates STC's year end carry-out stocks estimates for 2004-05. Exports are forecast to increase by 15% and domestic use by 7% due to stronger demand, but carry-out stocks are also expected to increase. Average prices, over all types, grades and markets, are forecast to increase for chickpeas and mustard seed, decrease for dry peas, lentils, dry beans, canary seed and sunflower seed, and be the same for buckwheat.

STC's yield estimates are significantly higher than trend for Ontario, Saskatchewan and Alberta, and much below trend for Manitoba. Since the survey was conducted from July 20 to August 5 before the start of harvest, the actual yields for crops in western Canada could be lower than the estimates because of hot and dry weather in late July and early August. Crop abandonment is expected to be slightly lower than normal, except for Manitoba where significantly higher than normal abandonment is expected. For western Canada, harvest progress is about one to two weeks behind normal, but significantly ahead of 2004-05. Harvest progress is about a week ahead of normal for eastern Canada. Harvesting of dry peas and lentils is mostly complete and a significant portion of chickpeas and mustard seed have been harvested. Harvesting of dry beans in eastern Canada is mostly complete, but only a small portion has been harvested in western Canada. Only a small portion of canary seed has been harvested. The buckwheat harvest is expected to start in late September and the sunflower seed harvest in early October. Overall quality is expected to be better than in 2004-05, but generally lower than normal due to rain in large areas of Alberta and Saskatchewan during harvest. Although some late crops could still be damaged by frost, most unharvested crops are sufficiently advanced in development that frost would not damage them. The main factors to watch are precipitation and temperatures during the rest of the harvest period in Canada. Other factors to watch are the exchange rates of the Canadian dollar against the US dollar and other currencies, ocean shipping rates, and growing and harvest conditions in major producing regions, especially United States, India and Australia.

DRY PEAS

For 2005-06, production is estimated to decrease by 3%, as a 2% rise in seeded area is more than offset by lower yields. Production is expected to decrease for yellow, green and other types. Supply is estimated to increase by 7% due to higher carry-in stocks. World supply is expected to increase by 2% to 12.6 Mt, but use is also forecast to increase, resulting in stable carry-out stocks. Canadian exports and domestic use are expected to increase due to stronger demand in the food markets in Asia and in the feed markets in the EU and Canada. Carry-out stocks are forecast to remain stable, with a stocks-to-use (s/u) ratio of 18%. The average price, over all types, grades and markets, is forecast to decrease slightly due to the higher world supply.

LENTILS

For 2005-06, production and supply are estimated to increase significantly, due to an 11% rise in seeded area, higher yields and higher carry-in stocks. Production is expected to increase for all types; large, medium and small green, and red. World supply is forecast to increase by 15% to 4.5 Mt. Although world use is expected to increase because of higher demand, resulting mostly from lower prices, carry-out stocks are forecast to rise. Canadian exports are expected to increase by 34% due to the higher demand. Carry-out stocks are forecast to rise significantly, with a s/u ratio of 60%. The average price, over all types and grades, is forecast to decrease moderately from 2004-05, as pressure from higher world supply is partly offset by support from higher quality.

DRY BEANS

For 2005-06, production and supply are estimated to increase, due to a 25% rise in seeded area and lower abandonment. Production is expected to increase for white pea, pinto, black, dark and light red kidney, cranberry and small red beans, but remain stable for Great Northern and pink beans. US

production is forecast to increase by 44% to 1.12 Mt, while supply increases by only 20% to 1.26 Mt due to lower carry-in stocks. Canadian exports are forecast to increase slightly due to higher supply. Carry-out stocks are expected to increase, with a s/u ratio of 6%. The average price, over all classes and grades, is forecast to decrease due to the higher supply.

CHICKPEAS

For 2005-06, production and supply are estimated to increase, because of a 65% increase in seeded area, lower abandonment and higher yields. Production is expected to increase for large and small kabuli types, but decrease slightly for the desi type. World supply is expected to increase marginally to 8.95 Mt. Canadian exports are forecast to increase due to the higher supply. Carry-out stocks are expected to increase, but remain low. The average price, over all types, grades and sizes, is forecast to increase due to higher quality and a shift to the production of the higher priced kabuli types.

MUSTARD SEED

For 2005-06, production is estimated to decrease by 28% because of a 32% fall in seeded area, which is partly offset by higher yields. Production is expected to decrease for all types, yellow, brown and oriental. Supply is expected to increase slightly due to higher carry-in stocks. Although exports are forecast to rise due to higher demand, carry-out stocks are forecast to decrease only slightly, with a s/u ratio of 84%. The average price, over all types and grades, is expected to increase marginally as higher quality more than offsets pressure from the higher supply.

CANARY SEED

For 2005-06, production is estimated to decrease by 19%, as a 43% fall in seeded area is mostly offset by higher yields. Supply is expected to increase by 13%, as higher carry-in stocks more than offset the fall in production. World supply, 90% of which is in

Canada, is forecast to increase by 12% to 455,000 t. Although Canadian exports are expected to increase due to higher demand, carry-out stocks are forecast to rise, with a s/u ratio of 89%. The average price is forecast to decrease because of the higher supply.

SUNFLOWER SEED

For 2005-06, production and supply are estimated to increase due to a 12% rise in seeded area, lower abandonment and higher yields. Production is expected to increase for both types, confectionery and oilseed. US supply is forecast to increase by 49% to 1.62 Mt. World supply is expected to increase by 6% to 29.0 Mt. Canadian exports and domestic use are forecast to increase because of the higher supply. Carry-out stocks are expected to increase slightly, but remain low. The average price, over both types and all grades, is forecast to decrease because of the higher supply in US and Canada.

BUCKWHEAT

For 2005-06, Canadian production is forecast to remain stable, as a lower seeded area is offset by lower abandonment and higher yields. Supply is expected to decrease due to lower carry-in stocks. Exports are forecast to decrease and carry-out stocks are expected to be negligible. The average price is forecast to be the same as in 2004-05, in line with a relatively stable world supply.

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CANADA: GRAINS AND OILSEEDS SUPPLY AND DISPOSITION

September 20, 2005

Grain and Crop Year (a)	Area Seeded Harvested -----000 ha-----		Yield t/ha	Production	Imports (b)	Total Supply	Exports (c)	Food & Industrial Use (e)	Feed, Waste & Dockage	Total Domestic Use (d)	Carry-out Stocks	Average Price (f)
thousand metric tonnes-----												
Durum												
2003-2004	2,483	2,459	1.74	4,280	1	5,900	3,427	252	219	683	1,789	224.21
2004-2005P	2,230	2,141	2.32	4,962	1	6,752	3,218	240	555	1,013	2,521	199 *
2005-2006F	2,280	2,232	2.28	5,083	1	7,605	3,600	250	565	1,005	3,000	191 **
Wheat Except Durum												
2003-2004	8,179	8,009	2.41	19,272	16	23,395	12,299	2,775	3,223	6,805	4,291	206.03
2004-2005P	8,169	7,722	2.71	20,898	13	25,203	11,586	2,718	4,641	8,145	5,471	187 *
2005-2006F	7,742	7,530	2.61	19,633	10	25,114	13,200	2,750	3,775	7,414	4,500	184 **
All Wheat												
2003-2004	10,662	10,467	2.25	23,552	18	29,295	15,727	3,027	3,442	7,488	6,080	
2004-2005P	10,339	9,862	2.62	25,860	14	31,955	14,805	2,958	5,197	9,158	7,992	
2005-2006F	10,022	9,762	2.53	24,716	11	32,719	16,800	3,000	4,340	8,419	7,500	
Barley												
2003-2004	5,046	4,446	2.77	12,328	36	13,838	2,445	298	8,579	9,291	2,102	135.8
2004-2005P	4,678	4,050	3.26	13,186	82	15,371	1,862	213	9,400	10,019	3,489	112.15
2005-2006F	4,520	3,915	3.16	12,358	30	15,877	2,500	360	10,127	10,877	2,500	105-125
Corn												
2003-2004	1,265	1,226	7.82	9,587	2,108	12,805	346	2,415	8,890	11,317	1,143	137.18
2004-2005P	1,185	1,072	8.24	8,836	2,400	12,378	150	2,650	8,463	11,128	1,100	100.68
2005-2006F	1,121	1,072	7.74	8,297	2,800	12,197	150	2,700	8,332	11,047	1,000	100-120
Oats												
2003-2004	2,272	1,575	2.34	3,691	19	4,234	1,557	140	1,581	1,888	788	136.65
2004-2005P	1,995	1,315	2.80	3,683	26	4,497	1,672	91	1,575	1,837	988	130.68
2005-2006F	1,955	1,418	2.63	3,731	15	4,734	1,700	170	1,794	2,134	900	120-140
Rye												
2003-2004	246	147	2.22	327	0	352	172	47	47	112	68	104.44
2004-2005P	284	165	2.53	418	1	487	122	48	155	220	145	70-80
2005-2006F	218	159	2.39	380	1	526	150	48	161	226	150	70-90
Mixed Grains												
2003-2004	241	135	2.84	384	0	384	0	0	384	384		
2004-2005P	220	111	2.87	318	0	318	0	0	318	318		
2005-2006F	219	120	2.62	314	0	314	0	0	314	314		
Total Coarse Grains												
2003-2004	9,070	7,529	3.50	26,317	2,162	31,613	4,520	2,899	19,482	22,993	4,101	
2004-2005P	8,362	6,713	3.94	26,441	2,509	33,051	3,806	3,003	19,912	23,522	5,722	
2005-2006F	8,031	6,684	3.75	25,080	2,846	33,648	4,500	3,278	20,728	24,598	4,550	
Canola												
2003-2004	4,736	4,689	1.44	6,771	243	7,908	3,754	3,390	113	3,545	609	387.04
2004-2005P	5,319	4,938	1.57	7,728	108	8,444	3,412	3,031	327	3,403	1,629	309.15
2005-2006F	5,485	5,214	1.60	8,325	150	10,104	3,800	3,200	559	3,804	2,500	270-310
Flaxseed												
2003-2004	745	728	1.04	754	20	903	609	n/a	n/a	202	93	382.13
2004-2005P	728	528	0.98	517	39	648	468	n/a	n/a	151	30	n/a
2005-2006F	844	809	1.29	1,044	20	1,094	700	n/a	n/a	244	150	310-350
Soybeans												
2003-2004	1,051	1,047	2.17	2,268	587	3,000	914	1,500 ^{1/}	319	1,947	140	395.04
2004-2005P	1,229	1,178	2.59	3,048	450	3,638	1,000	1,580 ^{1/}	488	2,193	445	248
2005-2006F	1,176	1,158	2.56	2,963	250	3,657	1,000	1,750 ^{1/}	447	2,307	350	220-260
Total Oilseeds												
2003-2004	6,531	6,464	1.52	9,794	850	11,811	5,277	n/a	n/a	5,693	841	
2004-2005P	7,277	6,643	1.70	11,293	596	12,731	4,880	n/a	n/a	5,747	2,104	
2005-2006F	7,506	7,181	1.72	12,332	420	14,855	5,500	n/a	n/a	6,355	3,000	
Total Grains And Oilseeds												
2003-2004	26,263	24,461	2.44	59,663	3,029	72,719	25,523	n/a	n/a	36,174	11,022	
2004-2005P	26,038	23,219	2.74	63,595	3,119	77,736	23,491	n/a	n/a	38,427	15,818	
2005-2006F	25,559	23,627	2.63	62,128	3,277	81,223	26,800	n/a	n/a	39,373	15,050	

(a) August - July crop year except corn and soybeans which are September - August.

(b) Excludes imports of products. (c) Includes exports of products for wheat, oats, barley, and rye. Excludes exports of oilseed products.

(d) Total Domestic Use = Food and Industrial Use + Feed Waste & Dockage + Seed Use

(e) Industrial use excludes flaxseed due to data confidentiality.

(f) Crop year average prices: No.1 CWRS 11.5% protein and No.1 CWAD 11.5% (CWB final price I/S St. Lawrence/Vancouver), Barley (No. 1 feed, WCE, cash, I/S Lethbridge), Corn (No.2 CE, cash, I/S Chatham), Oats (US No. 2 Heavy, CBoT nearby futures); Rye (No.2 Canada, Elevator bids at select western delivery points); Canola (No. 1 Canada, WCE, cash, I/S Vancouver); Flaxseed (No. 1 CW, WCE, cash, I/S Thunder Bay); Soybeans (No. 2, I/S Chatham).

* CWB Pool Return Outlook (PRO) - July 28, 2005 ** CWB Pool Return Outlook (PRO) - August 25, 2005

^{1/} Source for Food and Industrial Use is based on data from the Canadian Oilseed Processors Association.

P: preliminary; F: forecast - Agriculture and Agri-Food Canada - September 20, 2005

Source: Statistics Canada, Cereals and Oilseeds Review Series, Cat. No. 22-007



CANADA: GRAINS AND OILSEEDS OUTLOOK

September 20, 2005

Statistics Canada's "*Stocks of Canadian Grain at July 31, 2005*" report indicated that carry-in stocks of the major Canadian grains and oilseeds (G&O) for 2005-06 are almost 50% higher than for 2004-05. As a result, the total supply of G&O for 2005-06 is about 4% above last year, although production is estimated to decrease to 62 million tonnes (Mt) from 64 Mt last year.

The pace of harvest in western Canada is behind normal due to untimely rains, particularly in Saskatchewan and Alberta, where harvest progress is well behind normal. The delay caused by rain may reduce the quality of the crop, but the average quality of the crop in western Canada is expected to be better than last year's poor quality crop. Protein levels are expected to be below average which is a negative factor for wheat and durum but is positive for malting barley selection rates.

Generally, world prices for G&O are forecast to decline and prices in Canada will be further pressured by the strong Canadian dollar. The major factors to watch are: harvest conditions in Canada and the US, import demand from China, EU export policy, ocean freight rates and exchange rates.

WHEAT (ex-durum)

For 2005-06, carry-in stocks increased by 27% from 2004-05, to 5.5 Mt. A significant portion of which is stored on-farm because low feed wheat prices discouraged farmers from marketing all of their low quality wheat in 2004-05. Total supply for 2005-06 is down only marginally, despite an estimated 6% decline in production. Feed use is forecast to remain higher than normal because of the large supplies of low quality wheat carried over from 2004-05. Exports are forecast to rise by 14%, assuming increased supplies of high quality wheat. Carry-out stocks are forecast to decline by 18%. The Canadian Wheat Board (CWB) August Pool Return Outlook (PRO) is below 2004-05 for high quality wheat, but flat to slightly higher for lower quality wheat.

DURUM

Carry-in stocks increased by about 40% from 2004-05 to 2.5 Mt, with 1.0 Mt on-farm. Production is estimated to rise slightly, so that total supply is expected to rise by 13% to a record 7.6 Mt. Exports are forecast to increase, assuming adequate supplies of good quality durum, mainly due to increased import demand resulting from reduced production in North Africa and southern Europe. However, carry-out stocks are projected to rise for the 4th consecutive year, to a record 3.0 Mt. The CWB 2005-06 PRO is below 2004-05 for all grades, due to higher North American supplies.

BARLEY

Carry-in stocks increased by about 66% from 2004-05 to 3.5 Mt, as a result of large production of low-quality barley and lower exports in 2004-05. Although production is estimated to fall from 2004-05, total supply is up by 3%. Exports are expected to rise significantly, due to higher exportable supplies of malting barley in Canada and less competition in overseas markets. Carry-out stocks are expected to drop significantly. The off-Board feed barley price is forecast to rise

slightly. Malting barley export prices will be pressured by the strength in Canadian dollar and improved world supplies, with the CWB PRO for Special Select 2-Row down by \$6/t from 2004-05 to \$172/t.

OATS

Carry-in stocks increased by 25% due to higher supplies in 2004-05. Production is estimated to increase slightly, as higher harvested area more than offsets lower yields. Total supply is, therefore, expected to rise by 5%. Exports are expected to increase slightly from 2004-05 due to improved crop quality but will be pressured by high EU export subsidies on oats. Carry-out stocks are expected to decrease. Feed oats prices are forecast to be similar to 2004-05, with a reduced premium for milling oats.

CORN

Carry-in stocks, as estimated by AAFC, are marginally below 2004-05 due to lower supplies in 2004-05. Production in 2005-06 is estimated to decline by 6%, due mainly to lower yields. This is expected to result in a significant increase in US corn imports, mainly to eastern Canada. Shipments of feed wheat and barley from western to eastern Canada are expected to decrease. Feed use is forecast to decline slightly. Food and industrial use is forecast to rise slightly, driven by higher ethanol production. The average Chatham price is forecast to increase due to tight supplies and a stronger Chicago-Chatham spread.

CANOLA

Carry-in stocks nearly tripled from 2004-05 to 1.6 Mt due to increased supply. Production is estimated to rise by 8%, with total supply expected to increase by 20%. Domestic crush and exports are forecast to rise by only 6% and 11% respectively, due to large supplies of palm oil and soybeans in competing countries. Carry-out stocks are forecast to increase sharply, to a record 2.5 Mt. The average price is forecast to

decrease due to pressure from burdensome carry-out stocks, low US soybean prices and the high Canadian dollar.

FLAXSEED (excluding solin)

Carry-in stocks decreased by 68% to a record low due to the sharp drop in output and strong pace of exports. Production is estimated to increase by 102% to the highest level since 1998-99, due to a sharp rise in seeded area and expected yields. Total supply is expected to rise by 69%. Exports are forecast to increase sharply due to strong EU demand, increased domestic supply and sharply higher crude oil prices. Carry-out stocks are expected to rise sharply, but are not considered to be burdensome. The average 2005-06 price is expected to decline.

SOYBEANS

Carry-in stocks, as estimated by AAFC, are significantly higher than 2004-05 mainly because production was a record high. As a result, domestic supply is expected to increase by about 7% despite a slight decrease in production. Total domestic use is expected to rise by 5%, to a near record level. Exports are forecast to remain stable at a record high 1.0 Mt, despite competition from large US and South American supplies. The average Chatham price is forecast to decrease due to lower US soybean prices.

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SUNFLOWER SEED: SITUATION AND OUTLOOK

Canada is a major producer of confectionery sunflower seed, although Canadian production of oil sunflower seed is relatively small. There is a large value added sunflower seed processing industry in western Canada, which includes a human food market, snacks and kernels, as well as a bird seed market. The value of Canadian exports averaged at about \$50 million during the past five years. For 2005-2006, Canadian production is forecast to increase from the small, weather damaged crop of 2004-2005, and the average seed quality is expected to return to normal.

WORLD

Production and Trade

World sunflower seed production has been variable during the past ten years, ranging from a low of 21.4 million tonnes (Mt) in 2001-2002 to a high of 27.3 Mt in 1999-2000, but there has been no upward or downward trend. There are two types of sunflower seed produced, oilseed and confectionery. About 95% of world production is the oilseed type and only 5% the confectionery type.

Sunflower seed exports have been variable, in line with the variability in production, ranging from 1.32 to 2.74 Mt during the past four years. Exports are relatively dispersed, with the top 10 countries accounting for about 95% of exports. The European Union (EU) accounts for most of the imports, with Turkey, United States (US), Mexico and Pakistan accounting for most of the balance. The US and Canada are the main exporters of confectionery sunflower seeds, with the EU and Mexico being the main destinations, excluding trade between Canada and the US.

CANADA

Production

Sunflowers grow best on loam, silty loam, and silty clay loam soils with good drainage. They have a low tolerance for saline conditions; therefore soils with moderate to high levels of

salinity should be avoided. Sunflowers have a deep tap root that can obtain water and nutrients 1.5-1.8 metres (5-6 feet) deep in the soil. These reserves of water and nutrients are unavailable to most other annual crops, making sunflowers a good rotational crop. Sunflowers should be seeded as early as possible, usually in the first half of May, since they require 115-125 days to reach maturity.

Canadian sunflower seed production fell sharply in the mid-1990s when crushing ended in Canada. However, production has been trending upwards since 1998-1999 with most of the increase for the confectionery type, which has become the main type produced. Manitoba accounts for most of the production, followed by Saskatchewan, Alberta and Ontario. The main producing areas are south-central Manitoba, south-western Manitoba and south-eastern Saskatchewan. The Canadian sunflower seed harvest occurs mainly in October.

NuSun

NuSun is a mid-oleic (monounsaturated fatty acid) sunflower seed which has a low saturated fat profile. The oleic acid content of NuSun oil is about 65% compared to 16% for traditional sunflower oil, this compares well with 61% for canola oil and 23% for soybean oil. Oil produced from NuSun hybrids contains about 65% monounsaturated fat, 26% polyunsaturated fat and 9% saturated fat, which is considered to be the optimum fat balance under current dietary fat recommendations. The 72% linoleic acid content of oil from traditional hybrids has been reduced to 26%, which means that hydrogenation, bubbling hydrogen into the oil, is not necessary for oil produced from NuSun hybrids. Since there is no hydrogenation, there is no formation of trans fatty acids. The high oleic acid and low

WORLD: SUNFLOWER SEED SUPPLY AND DISPOSITION

	2001 -2002	2002 -2003	2003 -2004	2004 -2005p	2005 -2006f
Harvested Area (kha)	19,220	20,230	22,710	21,420	22,819
Average Yields (t/ha)	1.11	1.18	1.17	1.20	1.20
.....thousand tonnes.....					
Carry-in Stocks	883	792	1,337	1,605	1,538
Production:					
Russia	2,670	3,685	4,850	4,750	5,100
Ukraine	2,251	3,270	4,252	3,050	4,000
Argentina	3,844	3,700	3,240	3,600	3,900
European Union	3,836	3,713	4,035	4,181	3,515
India	1,450	1,625	1,700	1,750	1,850
China	1,478	1,946	1,743	1,690	1,780
United States	1,551	1,112	1,209	929	1,534
Romania	744	890	1,400	1,425	1,300
Bulgaria	392	580	720	850	850
South Africa	930	642	651	665	700
Turkey	520	820	600	650	670
Canada*	104	157	150	54	106
Other	1,599	1,817	2,130	2,177	2,114
Total Production	21,369	23,957	26,680	25,771	27,419
Total Supply	22,252	24,749	28,017	27,376	28,957
Total Use	21,460	23,412	26,412	25,838	27,360
Carry-out Stocks	792	1,337	1,605	1,538	1,597
Stocks-to-use ratio (%)	4%	6%	6%	6%	6%

p: preliminary

f: forecast, USDA; except * which is AAFC - September 2005

Source: USDA, except * which is Statistics Canada - September 2005

US FARM SECURITY AND RURAL INVESTMENT ACT OF 2002 (FSRIA)

Under the FSRIA, for crop years 2004-2007, the loan rate is US\$0.093/lb, based on prices for the oilseed type, compared to US\$0.096/lb for 2002 and 2003. These rates are for the top grade and there are discounts for lower quality seed. The loan rate varies by county. The loan rate provides a floor return because if the price is lower than the loan rate, the producer is eligible for a loan deficiency payment (LDP). Since the LDP for the confectionery type is the same as for the oilseed type, the confectionery type prices are not used in determining the LDP. Sunflower seed is also eligible for the minor oilseeds **direct payment** of US\$0.008/lb. However, this is based on historical seeded area and yields, and is theoretically decoupled from the area seeded during the year of the payout. Sunflower seed is eligible for the minor oilseeds **counter-cyclical payments** (CCP) based on the target price of US\$0.098/lb for crop years 2002 and 2003, and US\$0.101/lb for crop years 2004 to 2007. However, in calculating the CCP, the direct payment is first deducted from the target price. Therefore, since the target price minus the direct payment is less or equal to the loan rate or market price, no counter cyclical payment is expected for sunflower seed.

LDP's under FSRIA have been relatively small because prices have generally been higher than the loan rate. Therefore, the main benefit of the loan program has been that it provides a floor return, which supports sunflower seed planting especially in years when prices of alternative crops are low. The support for higher planting contributes to higher supply, which pressures Canadian prices downward.

saturated fat profile is believed to lower cholesterol and the risk of coronary heart disease

There are several advantages to NuSun oil. First, the costs of hydrogenation are avoided since it holds up longer in frying vats without flavour deterioration. Second, trans fatty acids, which are considered to be unhealthy, are not present because there is no hydrogenation. Third, end user costs are lower since it is not necessary to replace the oil as frequently during frying as with other vegetable oils. Finally, at frying temperatures, NuSun oil produces more flavour-stable snack food.

Commercial production of NuSun hybrids started in the US in 1998 and has increased significantly since then to meet market demand. The development of NuSun has shifted sunflower oil use in the US to domestic markets from export markets. NuSun hybrids are also produced in Canada.

Sunola and Sunwheat

Shorter season oilseed type varieties have been developed for areas where the traditional hybrids cannot be grown. They have the further advantage of being able to be sown and harvested with the same equipment as cereal grains or canola, whereas the traditional hybrids require specialized equipment.

Sunola is a miniature, open pollinated sunflower, which requires 99-103 days to maturity. The oil content is equal to sunflower hybrids.

Sunwheat is a dwarf hybrid sunflower and requires 100-110 days to maturity. Its oil content is slightly lower than Sunola. It is more suited to the arid areas and able to withstand periods of summer heat

better than some other crops. Both Sunola and Sunwheat have lower yields than traditional hybrids.

Marketing

Sunflower seed is sold on the open market to dealers located mostly in Manitoba. Sunflower seed is shipped bulk in trucks or rail cars. Some sunflower seed is grown under production contracts which guarantee a price for part of the production.

The Canadian Special Crops Association (CSCA) (www.specialcrops.mb.ca) establishes trade rules for domestic trade and serves as a forum for exporters, dealers and brokers involved in the industry of trading Canada's pulse and special crops, including sunflower seed. The website includes a section where buyers can submit a request for prices.

The Canadian Grain Commission (CGC) administers quality control standards for sunflower seed. There are two grades for each type of sunflower seed. In addition, sunflower seed can be graded "Sample" if it does not meet the specifications for the two grades. For further information, or to access the Official Grain Grading Guide, please visit the CGC website: (www.grainscanada.gc.ca)

Use

The majority of the oil sunflower seeds in the world are crushed after the hull is removed. The hull represents about 15% of the sunflower seed weight. Dehulled seed yields 45-50% oil and 50-55% meal. The oil is used for frying or to produce salad dressing, shortening and margarine. The mid and high oleic hybrids produce oil for specialized markets. The meal is used as a protein supplement in livestock feed and usually contains about 35% protein. The hulls are used mostly for livestock bedding, with some used as a source of fibre for cattle feed. Use of oil sunflower seed by the bird seed industry is growing. In Canada, the majority of the oilseed type seed is used by the bird seed industry.

Confectionery type sunflower seeds are used in the snack food industry as roasted sunflower seeds and dehulled

WORLD: SUNFLOWER SEED EXPORTS

	2001 -2002	2002 -2003	2003 -2004	2004 -2005p	2005 -2006f
.....thousand tonnes.....					
Ukraine	95	338	950	50	560
Romania	101	168	470	425	400
Russia	18	185	310	200	380
Bulgaria	109	291	318	320	300
Argentina	356	213	46	130	175
US	235	166	170	151	164
Uruguay	135	195	135	145	155
China	30	61	74	110	60
Canada*	92	105	96	32	60
EU	52	28	63	48	47
Other	100	78	112	95	76
Total	1,323	1,828	2,744	1,706	2,377

WORLD: SUNFLOWER SEED IMPORTS

	2001 -2002	2002 -2003	2003 -2004	2004 -2005p	2005 -2006f
.....thousand tonnes.....					
EU	868	1,002	1,442	710	1,516
Turkey	165	229	660	525	400
US	76	98	90	40	77
Mexico	10	104	38	25	35
Pakistan	0	80	136	10	15
Other	101	278	346	205	177
Total	1,220	1,711	2,576	1,515	2,205

p: preliminary

f: forecast, USDA; except * which is AAFC – Sep. 2005

Source: USDA, except * which is Statistics Canada – Sep. 2005

for use in snack food and baking. Sunflower seeds are high in protein, calcium, phosphorous, iron, potassium, and vitamin E. The sunflower seed snacks are usually lightly coated in salt or spices. Some confectionery sunflower seeds are also used for bird seed.

Less frequently, sunflower seeds are used for cattle feed. Usually damaged seed is used, but good quality seed is sometimes used in dairy cattle rations.

Canadian domestic use, which includes food, feed, seed, dockage and waste, has been trending upwards in line with the growth in production and domestic processing. Since 1995, sunflower seeds have not been crushed in Canada, but the crush use has been replaced by increased processing of confectionery sunflower seed and increased use for bird seed. The markets for in-shell snack food, dehulled snack food, baking and bird seed have increased significantly.

Exports

The majority of Canadian sunflower seeds exports are to the US, with the balance going mostly to Europe, Latin America, the Middle East and northern Africa. Exports to the US are both oilseed and confectionery types, while exports to other parts of the world are mainly the confectionery type. In addition to the seed, prepackaged snack food, dehulled sunflower seed and bird seed are also exported.

Prices

In general, Canadian sunflower seed prices follow US prices adjusted by exchange rates. Oilseed sunflower prices are affected by the supply and demand factors for vegetable oil and protein meal. Confectionery sunflower seed prices depend on supply and demand conditions in the confectionery market. Bird seed sunflower prices mostly follow the prices of the oilseed type. Top grade prices of both confectionery and oilseed types increased in 2004-2005, as compared to 2003-2004, with the sharpest increase for the confectionery type.

In general, the top grade seed available was carried over from 2003-2004, as the quality of the 2004-2005 seed was damaged by wet weather, frost and disease, especially for the confectionery type.

OUTLOOK: 2005-2006

World

Total world sunflower seed production and supply are forecast to increase by 6% to 27.4 Mt and 29.0 Mt, respectively. Total use is expected to increase due to the higher supply and stronger demand, and carry-out stocks are forecast to increase only slightly, with the stocks-to-use ratio remaining at 6%.

United States

US sunflower seed production is forecast to increase by 65% to 1.53 Mt, because of an increase in seeded area, lower abandonment and higher yields. Total supply is forecast to increase by 49% to 1.62 Mt, due to lower carry-in stocks. Oil sunflower seed production is forecast to increase by 58% to 1.26 Mt and supply to increase by 43% to 1.32 Mt. Confectionery sunflower seed production is forecast to

double to 274,000 t and supply to increase by 83% to 299,000 t.

Canada

Canadian sunflower seed production is forecast to more than double to 106,000 tonnes (t) due to an increase in seeded area, lower abandonment and higher yields. Average quality is expected to return to normal. Oilseed type production is forecast to nearly double to 32,000 t, while confectionery type production is forecast to more than double to 74,000 t. Total supply is forecast to grow by 35% to 154,000 t, due to lower carry-in stocks. Exports and domestic use are expected to increase, due to higher supply and strong demand. Carry-out stocks are forecast to increase to 20,000 t, with a stocks-to-use ratio of 15%.

CANADA: SUNFLOWER SEED SUPPLY AND DISPOSITION

<i>August-July crop year</i>	2001 -2002	2002 -2003	2003 -2004	2004 -2005p	2005 -2006f
Seeded Area (kha)	73	100	119	87	98
Harvested Area (kha)	67	95	115	59	81
Yield (t/ha)	1.55	1.65	1.30	0.92	1.31
.....thousand tonnes.....					
Carry-in stocks	46	22	35	25	18
Production:					
Confectionery	80	110	82	35	74
Oilseed	24	47	68	19	32
Total Production	104	157	150	54	106
Imports	29	21	16	35	30
Total Supply	179	200	201	114	154
Exports:					
US	77	91	84	27	50
Europe	4	3	4	1	3
Central and South America	4	3	3	3	4
Middle East and Africa	6	6	4	1	2
Asia and Oceania	1	2	1	0	1
Total Exports	92	105	96	32	60
Total Domestic Use	65	60	80	64	74
Total Use	157	165	176	96	134
Carry-out Stocks	22	35	25	18	20
Stocks-to-use ratio (%)	14%	21%	14%	19%	15%
Harvested Area (kac)	166	235	284	146	200
Yield (lb/ac)	1,385	1,474	1,164	817	1,169
Average producer price*					
Oilseed \$/t	342	419	331	375	331
\$/lb	15.5	19.0	15.0	17.0	15.0
Confectionery \$/t	375	463	375	661	419
\$/lb	17.0	21.0	17.0	30.0	19.0

* Manitoba, No.1 Canada grade

p: preliminary

f: forecast, Agriculture and Agri-Food Canada, September 2005

Source: Statistics Canada and AAFC

Total Canada and United States

Oil sunflower seed production is forecast to increase by 58% to 1.29 Mt and supply to increase by 42% to 1.36 Mt. Confectionery sunflower seed production is forecast to more than double to 348,000 t and supply to increase by 80% to 383,000 t.

Prices

For both types, the average Canadian price is forecast to decrease from 2004-2005 due to higher supply.

OUTLOOK: CANADA LONGER TERM

Production of confectionery sunflower seed is expected to grow moderately in line with the growth in demand. Sunflower seed is

considered to be healthy food and the industry has been developing new products, such as spreads and snacks made from sunflower seed kernels, which are expected to increase demand.

Oil sunflower seed production is also expected to grow, but the rate of increase will depend on the price of vegetable oil as well as the growth in demand for bird seed. An additional factor is the growth in demand for NuSun. A continuing strong increase in demand for NuSun oil and attractive prices could result in a faster increase in Canadian oil sunflower seed production and possibly a return to sunflower seed crushing in Canada.

The demand for NuSun oil is expected to continue growing especially in the snack food market and the fast food industry, as well as in the salad and home use markets. The trend to labeling regulations which list the amount of trans fatty acids will contribute to the growth in demand.

Research is underway to develop hybrids that are tolerant to *sclerotinia*, the most devastating disease of sunflowers. Sclerotinia tolerant hybrids would decrease the risk of producing sunflower seed and improve producers' financial returns.

For periodic updates on the situation and outlook for sunflower seed, visit the Market Analysis Division Website for "Canada: Pulse and Special Crops Situation and Outlook."

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UNITED STATES AND CANADA: TOTAL OIL SUNFLOWER SEED SUPPLY AND DISPOSITION

	2001 -2002	2002 -2003	2003 -2004	2004 -2005p	2005 -2006f
	.....thousand tonnes.....				
Carry-in stocks	91	52	168	140	68
Production:					
United States	1,272	937	1,025	799	1,260
Canada	<u>24</u>	<u>47</u>	<u>68</u>	<u>19</u>	<u>32</u>
Total Production	1,296	984	1,093	818	1,292
Total Supply	1,387	1,036	1,261	958	1,360
Total Use	1,335	868	1,121	890	1,250
Carry-out Stocks	52	168	140	68	110
Stocks-to-use ratio (%)	4%	19%	12%	9%	9%

UNITED STATES AND CANADA: TOTAL CONFECTIONERY SUNFLOWER SEED SUPPLY AND DISPOSITION

	2001 -2002	2002 -2003	2003 -2004	2004 -2005p	2005 -2006f
	.....thousand tonnes.....				
Carry-in stocks	111	79	66	48	35
Production:					
United States	279	175	184	130	274
Canada	<u>80</u>	<u>110</u>	<u>82</u>	<u>35</u>	<u>74</u>
Total Production	359	285	266	165	348
Total Supply	470	364	332	213	383
Total Use	391	298	284	178	314
Carry-out Stocks	79	66	48	35	69
Stocks-to-use ratio (%)	20%	22%	17%	20%	22%

Excludes imports as US imports are mainly from Canada and Canadian imports are mainly from the US.

p: preliminary

f: forecast, USDA and AAFC – September 2005

Source: USDA, Statistics Canada and AAFC – September 2005

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SOUTH KOREA

South Korea is the largest of the four "Asian tigers" (Taiwan, Hong Kong and Singapore) and in 2003 was the 12th largest merchandise (exports and imports) trading nation in the world. It is also one of the world's largest feed grain importers. South Korea's livestock industry is growing and the market for feed grain is expected to continue to expand. In 2004-2005, South Korea was the fifth largest importer of Canadian wheat which was especially important to Canada because of a surplus of feed quality wheat in western Canada caused by adverse weather conditions which lowered crop quality. For 2005-2006, the Canadian Wheat Board (CWB) recently signed an agreement to sell premium quality Canada Western Red Spring wheat to Korean flour mills. Korea is also a large importer of Canadian malt.

In July 2005, Canada formally announced the launch of bilateral free trade negotiations. A Free Trade Agreement (FTA) which would enhance Canada's important bilateral economic relationship with South Korea would also strengthen our presence in the dynamic northeast Asian region. This issue of the *Bi-weekly Bulletin* examines South Korea's agriculture industry and the potential for increased trade with Canada.

BACKGROUND

The Asia-Pacific Region is Canada's second largest trading partner. It accounted for about 5% of trade in 2004. Within the Pacific Rim countries, South Korea ranked as Canada's third largest trading partner of the region behind China and Japan. In 2003, South Korea accounted for 11% of Canada's exports to this area. Canada's major competitors for the South Korean agri-food import market are the United States (US), China, Japan, the European Union (EU) and Australia.

In 2005, the population of South Korea is about 48 million (M) with a land mass of 100,000 square kilometres but only 20% is arable. The major crops grown are rice, barley, corn, soybeans, white and sweet potatoes, fruits and vegetables. South Korea depends on imports for 60-70% its food and feed needs. This has increased from about 50% in 1990 and 40% in 1980.

According to *The World Factbook*, South Korea's Gross Domestic Product (GDP) was US\$925 billion (G)

(2004 estimate), the world's 16th largest economy. In comparison, Canada's GDP was US\$1.023 trillion, the 13th largest economy in the world. GDP per capita in 2004 was US\$31,500 for Canada and US\$19,200 for South Korea.

In 2004, two-way merchandise trade was approximately CAN\$8.1G (Canada exported CAN\$2.3G and imported CAN\$5.8G) and two-way direct investment was over CAN\$1G (Canadian direct investment in Korea was CAN\$686M). The excess of Canadian imports over exports has created a trade deficit of CAN\$3.5G. In 2003, two-way trade in services was CAN\$889M (Canada exported CAN\$595M and imported CAN\$294M).

Canada's interest in Korea lies in three main areas: tapping into the value chains of globally competitive production and supply from Korean corporations; selling raw materials and key competitive technologies and products; and, employing Korea as a strategic base to establish an export and manufacturing presence in Northeast Asia. Current and potential

export growth exists in many sectors, including; wood pulp, mineral fuels, metals, electrical machinery, shellfish and a wide variety of agricultural products. Korean exports to Canada cover a broad range of sectors, dominated by motor vehicles and auto parts, electrical machinery, computers, rubber, and steel. In 2004, 1.74% of Canada's imports came from South Korea and 0.57% of Canada's exports went to South Korea.

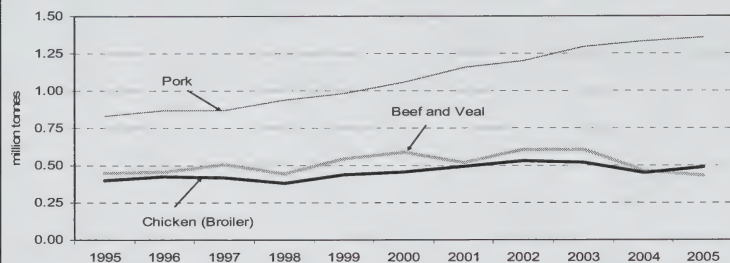
AGRICULTURE

Trade

In 2004, South Korea was the world's 9th largest exporter (total trade) and 13th largest importing country.

The seven main suppliers to South Korea are: the US, Australia, Malaysia, New Zealand, Canada, EU and China. In 2004, it imported US\$10.5G in agricultural goods, which accounted for 4.7% of its total imports. Its agriculture exports were US\$1.7G. South Korea imported US\$14.7G of agricultural, forestry and fishery products in 2004, a 9% increase from 2003.

SOUTH KOREA: MEAT CONSUMPTION



Source: USDA

In 2004, Canada exported CAN\$244.3M of agri-food products to South Korea, with wheat accounting for 31% and pork 13%. Canada imported CAN\$42M of agri-food products from South Korea, with pasta accounting for 34%.

Industrial Structure

The number of people employed in the agriculture, forestry, and fishery sectors has declined from about 60% in 1965 to less than 10% currently. Although agriculture only accounts for 3.6% of GDP, it accounts for 8.8% of employment. Since the 1960's, South Korea has been a large net importer of agriculture products, mostly consisting of: raw materials to support the manufacture of clothing and shoes for exports, wheat for food use and feed for livestock.

Meat Consumption

Asia-Pacific countries are generally moving towards a more western style diet. The demand for more variety, food-away-from-home and pre-packed convenience foods has increased significantly. This is due to increasing affluence, more women in the workforce, and a younger generation which is well-traveled and has acquired a taste for different types of food.

The demand for meat and poultry products in South Korea has increased significantly over the past decade in response to higher per capita income. However, after trending upward until 2003, consumption of beef and veal has recently declined. With the ban on US and Canadian beef due to Bovine Spongiform Encephalopathy (BSE), imports fell in 2004, causing beef consumption to decrease. With this ban, imported beef prices have risen, and consumers are switching to pork and poultry. Domestic beef prices have fallen somewhat, but still are roughly five times the imported beef price. Chicken consumption has remained constant while pork consumption has been increasing. Poultry consumption has recovered from the temporary, but dramatic decline in 2004 due to avian influenza concerns.

Livestock Production

The limited amount of land for agriculture production constrains the expansion of the livestock industry. While hog and dairy cow numbers continue to decrease, beef cattle numbers are increasing, and chicken inventories have remained relatively stable.

Poultry

The production of layer and broiler chickens is expected to increase due to strong demand for poultry products and low compound feed prices in the poultry sector. South Korea currently uses imported chicken meat at restaurants and fast food chains. With the demand for poultry products on the rise, this will lead to a production increase in both layer and broiler chickens. Chicken farms have been evolving towards larger, more efficient farms due to increasing foreign competition.

Beef and Dairy

The majority of the South Korean cattle herd is made up by native *Hanwoo* cattle which account for 70% of domestically raised beef while *Holstein* dairy cows make up the rest. Dairy cattle numbers are decreasing due to overproduction of milk and a herd reduction program. The typical herd size is usually between 1-4 head. However, the increase in numbers of beef cattle is expected to be reversed if Korea re-opens its border to US beef.

In 2003, South Korea banned imports of beef and dairy products from Canada and the US when BSE was discovered. Prior to this ban, South Korea was Canada's fourth largest beef importer.

Hogs

South Korea's hog industry was hit with swine fever and foot-and-mouth disease in 2000. Many countries have banned pork imports from South Korea due to these diseases.

SOUTH KOREA: LIVESTOCK INVENTORIES

	Swine	Dairy Cows	Beef Cows	Chickens*
	.....thousand head.....			thousand birds
2002	8,879	545	1,423	104,326
2003	9,149	535	1,426	99,263
2004	9,046	508	1,624	97,631
2005	8,845	492	1,770	101,190

* includes Layer and Broiler

Source: USDA

SOUTH KOREA: WHEAT IMPORTS MARKET SHARE BY SOURCE

	2000	2001	2002	2003	2004
	.....percent.....				
US	45	43	39	43	41
Australia	38	30	31	28	38
China	-	7	11	15	9
Canada	8	9	4	5	5
India	-	7	5	3	4
Ukraine	2	5	11	4	2

Note: Wheat Includes Durum; Market Shares may not total 100 due to rounding

Source: Global Trade Atlas

The Korean Government recently announced a mandatory registration for hogs. Regulations require that hog farmers register their operations with the municipal government. Farmers must demonstrate that they have a minimum amount of space per animal

and agree to attend extension classes on environmentally friendly agriculture once a year. Because of this regulation, inventories of hogs continued to decrease in the market year 2004-2005.

Rice

Rice is South Korea's largest agriculture commodity produced. In 2004-2005, South Korea production of milled rice was 5 million tonnes (Mt) and rough rice was 6.7 Mt. Since 2000, area harvested has been decreasing, but is expected to increase in the 2005-2006 crop year. In 2004, imports were to be 4% of domestic consumption. These imports were not allowed to go directly to consumers but had to be channelled into the processing industry. In 2005, Korea modified its rice tariff quota import commitments in the World Trade Organization (WTO) such that the amount of imports at the lower in-quota tariffs will increase over the next ten years to 8% of domestic consumption and of these imports 10%, rising to 30% could go into the retail sector. There are also some country quotas within the import amount. Rice imports have been increasing over the past five years from 95,000 tonnes (t) in 2000-2001 to 220,000 t in 2004-2005. Imported rice is steadily making up an increasing percentage of total consumption. At the same time, per capita rice consumption has decreased to 82 kilograms (kg) in 2004 from 120 kg in 1990. The decrease in rice consumption is due to an increase in consumption of instant food, processed meals and rice substitutes, including bread and noodles and children eating more fast food.

Cereal Grain

In 1994, almost 20% of Canada's total exports to South Korea consisted of cereal grains (wheat, oats, and rye). Ten years later, grains have dropped to 2%, due to increased competition from Australia, China and Ukraine. At the same time, the proportion of grains and other concentrates in the *Hanwoo* cattle feed rations is increasing, and the scale of feedlots, fattening purchased calves and culling of calves is growing.

Wheat

South Korea produces virtually no wheat. For 2004-2005, it imported 3.7 Mt of wheat, 60/40 for food/feed use. Imported milling wheat is used

SOUTH KOREA: WHEAT SUPPLY AND DISPOSITION

<i>crop year</i> <i>July-June</i>	2000 -2001	2001 -2002	2002 -2003	2003 -2004	2004 -2005	2005 -2006
Harvested Area (kha)	1	1	2	2	3	3
.....thousand tonnes.....						
Carry-in Stocks	1,050	1,050	1,100	985	958	943
Production	2	3	6	10	10	10
Imports	<u>3,127</u>	<u>3,979</u>	<u>4,052</u>	<u>3,434</u>	<u>3,700</u>	<u>3,700</u>
Total Supply	4,179	5,032	5,158	4,429	4,668	4,653
Exports	128	122	123	131	125	125
Feed	689	1,497	1,670	920	1,200	1,200
Other Domestic Consumption	<u>2,312</u>	<u>2,313</u>	<u>2,380</u>	<u>2,420</u>	<u>2,400</u>	<u>2,400</u>
Total Use	3,129	3,932	4,173	3,471	3,725	3,725
Carry out Stocks	1,050	1,100	985	958	943	928
Stocks-to-use ratio (%)	34	28	24	28	25	25

SOUTH KOREA: CORN SUPPLY AND DISPOSITION

<i>crop year</i> <i>October-September</i>	2000 -2001	2001 -2002	2002 -2003	2003 -2004	2004 -2005	2005 -2006
Harvested Area (kha)	16	14	17	17	18	19
.....thousand tonnes.....						
Carry-in Stocks	1,038	1,229	1,172	1,285	1,428	1,006
Production	64	57	73	70	78	80
Imports	<u>8,743</u>	<u>8,621</u>	<u>8,786</u>	<u>8,783</u>	<u>8,300</u>	<u>8,500</u>
Total Supply	9,845	9,907	10,031	10,138	9,806	9,586
Exports	-	-	-	-	-	-
Feed	6,460	6,584	6,569	6,602	6,700	6,800
Other Domestic Consumption	<u>2,156</u>	<u>2,151</u>	<u>2,177</u>	<u>2,108</u>	<u>2,100</u>	<u>2,100</u>
Total Use	8,616	8,735	8,746	8,710	8,800	8,900
Carry out Stocks	1,229	1,172	1,285	1,428	1,006	686
Stocks-to-use ratio (%)	14	13	15	16	11	8

SOUTH KOREA: BARLEY SUPPLY AND DISPOSITION

<i>crop year</i> <i>October-September</i>	2000 -2001	2001 -2002	2002 -2003	2003 -2004	2004 -2005	2005 -2006
Harvested Area (kha)	68	91	79	61	70	70
.....thousand tonnes.....						
Carry-in Stocks	-	-	-	-	-	-
Production	229	383	300	220	260	260
Imports	<u>85</u>	<u>102</u>	<u>65</u>	<u>67</u>	<u>100</u>	<u>100</u>
Total Supply	314	485	365	287	360	360
Exports	-	-	-	-	-	-
Feed	5	30	30	30	30	30
Other Domestic Consumption	<u>309</u>	<u>455</u>	<u>335</u>	<u>257</u>	<u>330</u>	<u>330</u>
Total Use	314	485	365	287	360	360
Carry out Stocks	-	-	-	-	-	-
Stocks-to-use ratio (%)	0	0	0	0	0	0

Source: USDA, PSD Official Statistics

for snacks, cakes, bread and noodles. Since feed wheat prices are expected to be attractive compared to corn prices, it is projected that feed wheat imports will increase in 2005-2006.

The export market is dominated by Australia and the US, at about 40% each, in 2004. Australian Soft White wheat is a low-protein wheat preferred for noodle production. Almost half of the imports from the US are also a soft white wheat, which is not a major class produced in Canada. Canada has not been, and is not expected to be, a dominant player in the market for milling wheat but South Korea is expected to continue to be an important market for Canadian spring wheat. The CWB has signed an agreement to sell 120 thousand tonnes (kt) of premium quality Canada Western Red Spring wheat to the Korean Flour Mills Industrial Association (KFIA) for delivery between November 1, 2005 and October 31, 2006. This is the first formal signed agreement between the CWB and KFIA.

South Korea has often been a market for Canadian feed wheat in years when, due to poor growing conditions, Canadian supplies of low quality wheat have been in surplus. Feed wheat exports from Canada increased significantly in 2004-2005.

Over the next ten years, the world wheat trade is projected by the United States Department of Agriculture (USDA) to increase by about 15% of which the Asia-Pacific region is expected to account for nearly 50%. Canada's ability to capture an increased share of this growing market will depend on the availability of the types of wheat demanded by this market. The new class of hard white spring wheat being produced in Canada is reported to have good noodle-making characteristics, and may help position Canada to increase its market share in the Asian noodle market.

Coarse Grains

Korean coarse grain production is quite small, and consists mainly of barley and corn. The quantity of coarse grains that South Korea imports has

increased slightly over the past five years.

Corn is the major feed grain, with very limited domestic production averaging about 75,000 t. Consumption of corn for livestock feed has averaged 6.7 Mt over the past 5 years, and has increased from under 2 Mt in the late 1970s to about 7 Mt in 2005. Compound feed production has grown in the last couple of years. Dairy cattle numbers have decreased, but production of compound feed for *Hanwoo* cattle and poultry is expected to increase, due to the ban on imports of Canadian and US beef. Corn imports are expected to remain stable at 8.5-9.0 Mt, with the US, China and Brazil the main competitors for the South Korean market. Small quantities of rye are also imported for feed. In 2004-2005, Canada exported 3,304 t of rye to South Korea.

Barley's prominence in South Korean agriculture is due to its close historical relationship with rice. In production, barley is double cropped with rice during the short winter season. In consumption, pearled barley is used as an affordable rice extender: kernels are split, rolled and blended with the more expensive rice to reduce the cost of the product. Barley production averages about 0.25 Mt, most of which is used for human food. The largest exporter of malt (not roasted) barley to South Korea is Australia.

Malt

In 2004, Canada exported almost 22 kt of malt to South Korea. South Korea was Canada's fifth largest market for this product.

Beer consumption in South Korea increased by 2.9% per year over the 1998-2003 period to 27.2 million hectolitres. Per capita beer consumption was about 45 litres (L) in 2003, slightly higher than Japan but low compared to about 84 L in the US.

Oilseeds and products

Over the next 3 to 5 years, the South Korean oilseed market is expected to grow at a rate of 3-5% a year. The import market is dominated by soybeans, with virtually no canola or canola oil imported.

Soybeans

South Korea relies almost completely on oilseed imports. Soybean area and production levels are expected to remain small and stable in South Korea. Currently 85% of soybeans that are manufactured into soy products come from the US.

In 2002, the government initiated a rice area reduction program which included a favourable government purchase price for soybeans that are grown on former rice paddies. In the marketing year 2004-2005, soybean area increased to 85.3 thousand hectares (kha), by 6% from last year. It is projected that in 2005-2006, soybean area will increase to about 86.5 kha.

Total soybean imports are expected to increase to 1.6 Mt in 2005-2006 from 1.5 Mt in 2004-2005. The growth of imports has been due to the improving financial environment in the crushing industry. Over 80% of imported soybeans are processed into meal and oil and 20% is used by the food-processing sector. The Shin Dong Bang Corporation is building a new vegetable oil refinery which will have the capacity to refine 150 t per day of crude soybean oil and is expected to open in the second half of 2005.

Soymeal

Production of soymeal is expected to gradually increase in both 2004-2005 and 2005-2006. This is due to an anticipated increased demand from the feed industry and improved crushing margins. It is forecast that imports of soymeal will be 1.40 Mt in the 2005-2006 market year, which is up from 1.35 Mt in 2004-2005. Since 1999-2000, soymeal extraction rates have decreased to 75% from 79% because crushers have increased the production of dehulled soybean meal.

Pulse Crops

Pulse Canada has targeted South Korea as a market for feed peas. In December 2003, South Korea reduced the import tariff rate from 27% to 2% on a tariff rate quota (TRQ) of 160 kt for feed peas. In February 2004, the TRQ was increased to 450 kt but was reduced to 105 kt in 2005.

Currently, Canada is not a large exporter of pulse crops to South Korea, but there is an opportunity to export more feed peas, since feed peas are competitive with lupins and other feed ingredients.

Last year, Canada exported 1 kt of feed peas to South Korea and only 270 t made it through inspection. The rest was rejected, due to South Korean inspectors finding some straw in the peas, which they felt could be a carrier for Hessian flies. Currently the National Quarantine Services in South Korea and the Canadian Food Inspection Agency are working on a fumigating protocol. Until this protocol is accepted, exporters will be hesitant to sell feed peas to South Korea for fear of having it rejected.

In 2003, Canada exported 2,440 t of beans and 609 t of peas to South Korea and in 2004, 2,060 t of beans, 172 t of lentils and 1,552 t of peas were exported. For 2005-2006 it is forecast that Canada's exports of beans and lentils will be higher than 2004-2005 levels. Canada exports broad beans and fababeans to South Korea.

POLICY ENVIRONMENT

South Korea has one of the most protected agriculture economies in the world. The government's trade policies have imposed strong import barriers and have strongly supported farm prices and production of certain commodities. Producers are supported by high prices resulting from government purchases and high tariffs, import quotas and minimum market access agreements that protect domestic producers from import competition. Non-governmental organizations and consumer groups play an influential role in government farm policy.

PRODUCER SUPPORT ESTIMATE: COMPARISON BY COUNTRY

	1999	2000	2001	2002	2003
.....percent of value of gross farm receipts.....					
Australia	5.35	4.33	3.41	4.21	4.07
US	25.62	22.16	22.95	18.94	17.98
Canada	17.90	18.61	17.11	19.57	21.27
EU 15	39.67	34.44	33.86	35.16	37.36
Japan	60.39	60.15	59.14	57.26	57.63
South Korea	65.84	66.73	62.80	68.61	60.48
<i>OECD Average</i>	<i>35.64</i>	<i>32.45</i>	<i>30.72</i>	<i>31.21</i>	<i>31.71</i>

Source: OECD

Domestic Policy

South Korean agricultural policy has two major goals, which are self-sufficiency and parity between farm and urban household incomes. To achieve these goals, the government uses strong producer price incentives and import barriers. Domestic production of rice, barley, corn, soybeans and tobacco are subsidized, with import barriers to protect rice, barley, vegetable, fruit and livestock farming. South Korea does not currently provide export subsidies for agriculture.

Rice is central to South Korea's agricultural policy, with the government affecting prices and producer income by purchasing a large amount of total rice production. Prior the Uruguay Round Agreement on Agriculture (URAA), the government of South Korea promoted a policy of self-sufficiency in rice designed to increase production and reduce consumption. Producer prices were supported by minimizing imports of rice.

Consumption of rice was reduced by making it mandatory to blend barley and wheat with rice. Most processing uses of rice were forbidden. Between the years 1990 and 1997, the average amount of rice purchased was 26%. This comes at a high cost to the budget and taxpayers. Since 1995, South

Korea's Aggregate Measure of Support commitment to the WTO, has limited these subsidies and government rice purchases dropped to 17% of year 2000 production.

Support Programs

In South Korea, support programs that are linked to either current outputs or inputs are above 90%.

The producer support estimate (PSE) is at 63% versus the 30% average of the OECD in the period 2002-2004. The PSE as a percent of the gross value of farm receipts averaged about 60% in South Korea, slightly higher than Japan, but significantly higher than Canada and the US which averaged 21% and 18%, respectively.

South Korea's PSE increased to US\$19.8G in 2004 from \$17.3G in 2003. The majority of the PSE subsidies were government purchases of mandatory import quotas on key goods such as rice. This prevented the opening up of its market fully to outside competition. Direct support for farmers accounted for about 10% of the PSE. The PSE for rice is 76% and 89% for beans. With government programs supporting producers, the consumer support estimate is always negative. This represents an implicit tax on consumers.

SOUTH KOREA: ADJUSTMENT TARIFF FOR 2005 CROP YEAR

Commodity	General Tariff (percent) ^{1/}	Quota Tariff Rate	
		2004	2005
Wheat for feed	3	0	0
Wheat for milling	3	1	1
Malting Barley	30	15	15
Unhulled barley for feed	5	2	2
Maize for feed	5(3) ^{2/}	0	0
Maize for process	5(3) ^{2/}	1	1
Malt	30	15	10
Soybeans	5(3) ^{2/}	0	0

^{1/} Basic Tariff Rate

^{2/} The number in parentheses is a temporary rate superseding the listed base rate.

Source: USDA-Foreign Agricultural Service

TRADE

South Korea has a strategic interest in multilateralism to offset its dependency on immediate neighbours, i.e. China and Japan. South Korea became a member of the WTO in 1995 and a member of the Organization for Economic Co-operation and Development (OECD) in 1996.

South Korea has a "developing nation" status within the WTO. Tariff rates of 665% on imports of rice, 342% for barley and 346% for corn are currently in place. The government fears that the domestic farming industry could collapse if its markets were opened to lower priced imports.

Tariffs

Tariffs vary from product to product and tend to be higher for products that can displace domestic production and lower for products which are not produced locally in significant volumes. To keep the livestock and flour milling sectors in operation, South Korea has to import large quantities of wheat, feed grains and soybeans. In general, tariffs are higher for basic commodity products while processed; consumer-oriented products are subject to lower tariffs.

South Korea's basic position on the Doha Development Agenda (DDA) is to gradually lower agricultural tariffs and subsidies. In exchange, Korea would like the global community to be more flexible in expanding the scope of "sensitive and special" products. Rice is considered a sensitive product.

South Korea imposes tariff rates in the range of 30% to 100% on many agriculture products plus a flat 10% value added tax that it imposes on all imports. There are TRQ which provide minimal access on certain products but the rate for over quota quantities makes the cost of imports prohibitive. The over-quota tariff rate for feed barley it is 327.6% and malting barley is 534%. South Korea also has discriminatory tariffs. The tariff on soybeans is 5% but 20% for canola. There are many markets in Asia that apply much higher tariffs to **dried peas**

for livestock feed than for competing products like soybean meal and corn meal. South Korea tends to apply higher tariffs on more value-added products. Since it is more cost effective to import soybeans and crush them, this leads to a lost opportunity of approximately \$70M for the Canadian industry.

Trade Agreements with South Korea

Korea currently has an FTA with each of Chile, Singapore and the European Free Trade Association (comprising of Iceland, Norway, Liechtenstein and Switzerland). South Korea is currently negotiating bilateral and FTA agreements with: Israel, US, China, Association of Southeast Asian Nations, Japan, Brazil, India, Malaysia, and Philippines. The most important trilateral agreement is with Japan and China.

In January and March 2005, Canada and South Korea held preliminary exploratory discussions on the possibility of an FTA. Canada and South Korea held the first round of FTA negotiations on July 28, 2005, with a second round scheduled for the last week of September, 2005. Canada is seeking a comprehensive FTA, which has the potential to deliver significant commercial benefits across a wide range of the Canadian economy – from agriculture to high-tech services to investment. In addition to increasing bilateral trade and investment, an FTA with South Korea would serve as a "gateway" into the dynamic Northeast Asian region.

South Korea is hosting the Asia-Pacific Economic Corporation (APEC) conference in 2005. There is a series of Ministerial meetings throughout the year, cumulating in an APEC Heads of Government conference in November.

Trade Potential for Canada

Expansion of the livestock industry in South Korea will require increased imports of feed. Canada could look at increasing soymeal exports and try to get canola meal into the market.

Higher beer consumption is also expected to lead to increased demand for malt and/or malting barley. The agreement between the CWB and KFIA could lead to further contracts to export premium quality wheat to South Korea.

An FTA will not affect pea exports at the present time due to the feed peas that were rejected. Once Canada and South Korea have reached an agreement on a fumigating protocol, feed pea exports may increase. Bean exports have been increasing over the past years, and it is expected that this trend will continue.

*This article was written by
Rachelle Hollman,
a former Junior Market Analyst
with the Market Analysis Division.*

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Canadian Embassy in the Republic of Korea, Canadian Wheat Board, International Trade Canada, Market and Industry Services Branch (AAFC)

B. CASH PRICES AND REPLACEMENT VALUES

August 22, 2005

PRAIRIE GRAINS

Selected Points	Price Basis		This week 22-Aug-05	Last week 8-Aug-05	Month ago 25-Jul-05	Year ago 23-Aug-04
From: Thunder Bay(WCE) (2)	In-Store	Wheat	107.00	108.00	109.00	136.80
(CBOT)		Oat	149.50	155.25	169.00	141.75
(Lethbridge)		Barley	104.00	105.00	112.50	105.00
To: Bayport, ON (1)	In-store	Wheat	130.61	131.61	132.61	160.41
		Oat	N/A	N/A	N/A	N/A
		Barley	131.39	132.39	139.89	132.39
Montreal, QC (1)	In-store	Wheat	135.03	136.03	137.03	164.83
		Oat	N/A	N/A	N/A	N/A
		Barley	136.31	137.31	144.81	137.31
Moncton, NB	Truck via Halifax	Wheat	157.25	158.25	159.25	187.05
		Oat	N/A	N/A	N/A	N/A
		Barley	160.50	161.50	169.00	161.50
Truro, NS	Truck via Halifax	Wheat	151.22	152.22	153.22	181.02
		Oat	N/A	N/A	N/A	N/A
		Barley	158.00	159.00	166.50	159.00
Halifax, NS (1)	In-store	Wheat	142.28	143.28	144.28	172.08
		Oat	N/A	N/A	N/A	N/A
		Barley	144.30	145.30	152.80	145.30
Stephenville, NL	Track / Truck via Sydney	Wheat	205.63	206.63	207.63	235.43
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A
Melfort, SK		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Bayport, ON		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Montreal, QC		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Moncton, NB		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Truro, NS		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track / Truck via Sydney	Barley	N/A	N/A	N/A	N/A
Stephenville, NL		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A

Selected Points	Price Basis		This week 22-Aug-05	Last week 8-Aug-05	Month ago 25-Jul-05	Year ago 23-Aug-04
Corn						
From: US Lake Port	On Board Vessel		98.09	100.06	122.89	130.40
To: Montreal, QC (1)	In-store		117.13	119.10	141.93	149.44
From: Chicago (IL)	Track		99.04	101.00	123.86	119.16
To: Montreal, QC	Track		127.90	129.86	152.72	148.02
From: Chatham, ON	Track		109.27	110.30	122.08	145.18
To: Montreal, QC	Track		133.14	134.17	145.95	169.05

Soymeal 48% Protein						
From: Hamilton, ON			283.07	224.54	250.72	381.40
To: Montreal, QC	Track		307.40	248.87	275.05	405.73
Moncton, NB	Track		326.15	267.62	293.80	424.48
Truro, NS	Track		329.37	270.84	297.02	427.70
Stephenville, NL	Track / Truck via Sydney		378.00	319.47	345.65	476.33

1. Prices include ONE month of storage and interest charges
n/a = not available
2. Thunder Bay prices are based on the Winnipeg Commodities Exchange market close (Cash price)

Source: Market Analysis Division, Agriculture and Agri-Food Canada

Contact: André Dombé: Statistical Clerk (204) 983-0581 Fax: (204) 983-5524 e-mail: doumbea@agr.gc.ca

Footnotes: All prices quoted in Canadian dollars per metric tonne.

Grain grades (unless otherwise specified) are: Canada Western Feed Wheat, Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn.

Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec.

Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable

A. SELLING PRICE OF BULK FEED INGREDIENTS AT SELECTED POINTS

August 22, 2005

SELECTED POINT	REFERENCE PERIOD	PRICE BASIS	(1) WHEAT	OATS	BARLEY	CORN	PRICE BASIS	SOYBEAN MEAL	CANOLA MEAL	MILL- FEEDS	MEAT MEAL	FISH MEAL	ANIMAL FAT	GLUTEN MEAL	GLUTEN FEED	FEED PEAS	DEHY ALFALFA	FEATHER MEAL
Vancouver	August 22, 2005	FOB	129.00	N/A	134.00	140.00		293.00	159.39	106.00		850.00	460.00					415.00
BC (4) (7)	August 15, 2005		129.00	N/A	134.00	137.50		306.50	167.00	106.00		850.00	460.00					415.00
Calgary	August 22, 2005	FOB	104.00	N/A	105.00	125.00		293.00			140.00	975.00	495.00					390.00
AB (4)	August 15, 2005		104.00	N/A	105.00	125.00		301.00			140.00	975.00	495.00					390.00
Saskatoon	August 22, 2005	FOB	90.25	139.00	88.75	122.00		295.50	N/A		145.00	N/A	495.00			116.10		430.00
SK (4)	August 15, 2005		90.25	139.00	88.75	122.00		301.00	N/A		145.00	N/A	495.00			116.10		430.00
Winnipeg	August 22, 2005	FOB	130.00	140.00	108.50	105.00		276.50	N/A		290.00	1025.00	525.00					360.00
MB (4) (9)	August 15, 2005		130.00	140.00	108.50	105.00		281.50	N/A		290.00	1025.00	525.00					360.00
Thunder Bay	August 22, 2005	In-Store	107.00	N/A	105.13													
ON (8)	August 15, 2005		106.50	N/A	105.25													
Lake Ports	August 22, 2005	On Board				98.09												
USA (3)	August 15, 2005	Vessel				100.06												
Bay Ports	August 22, 2005	In-Store	140.00	205.00	118.00													
ON (5)	August 15, 2005		140.00	205.00	118.00													
Chatham	August 22, 2005	Track				109.27												
ON (5)	August 15, 2005					115.43	FOB											
Toronto	August 22, 2005	N/A																
ON (5)	August 15, 2005																	
Hamilton	August 22, 2005	N/A						283.07	#N/A		193.00	N/A	460.00				270.00	460.00
ON (5)	August 15, 2005							224.54	#N/A		193.00	N/A	460.00				270.00	460.00
Eastern	August 22, 2005	FOB				110.00												
ON (5)	August 15, 2005					106.00												
London	August 22, 2005	FOB																
ON (5)	August 15, 2005																	
Port Colborne	August 22, 2005	FOB																
ON (5)	August 15, 2005																	
Cardinal	August 22, 2005	FOB																
ON (5)	August 15, 2005																	
Montreal	August 22, 2005		141.00	150.00	140.50	115.00		296.25	196.05	59.33	250.00	850.00	411.00				270.00	410.00
QC (5)	August 15, 2005		141.00	150.00	141.00	115.00	FOB	299.85	212.90	60.00	250.00	850.00	411.00				270.00	410.00
Trois-Rivières	August 22, 2005	In-Store	137.60		149.25	124.11												
QC (5)	August 15, 2005		137.60		149.25	124.11												
St. Jean QC (2)	August 22, 2005	FOB	118.07	112.91	121.03	106.48		289.37										
ON (5)	August 15, 2005		118.18	112.18	117.48	108.45		300.50										
St. Hyacinthe QC	August 22, 2005	In-Store	143.20	N/A	160.68	125.75		304.86	207.23									
Quebec	August 15, 2005		143.33	N/A	160.96	129.40		328.22	224.53									
QC (5)	August 22, 2005	Track	173.43		167.20	160.29		344.19	258.86									
Truro	August 22, 2005	Water	170.43	N/A	167.20	155.99	FOB	357.48	258.86									
NS (5)	August 15, 2005		170.43	N/A	N/A	N/A												
Truro	August 22, 2005	& Truck	N/A	N/A	N/A	N/A												
NS (5)	August 15, 2005		N/A	N/A	N/A	N/A												
Halifax	August 22, 2005	In-Store	N/A	N/A	N/A	162.00		346.10		297.50								
NS (6)	August 15, 2005		N/A	N/A	N/A	159.50		378.00		297.50								

Source: Market Analysis Division, Agriculture and Agri-Food Canada; Thunder Bay prices are based on the Winnipeg Commodity Exchange (WCE) market close
Contact: André Dombé Statistical Clerk Telephone: (204) 983-0581 Fax: (204) 983-5524 Email: dombear@agr.gc.ca
USSI.00=CANS1.2139, closing date August 19, 2005
N/A = not available

Footnotes: All prices in Canadian dollars per metric tonne based on survey respondents.

Grain grades (unless otherwise specified) are: Western or Eastern Feed Wheat, Feed Oats, No.1 Canada Western or Eastern Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn, Soybean Meal 48 % Protein. Canola Meal based on minimum standard of 35% Protein. Fish Meal: white fish and/or herring meal. Gluten Meal 60% Protein. Gluten Feed 21% Protein.

(1) Wheat 3CWRS (2) Canadian Corn #3 or #2 (3) US Corn (4) Fish Meal from West Coast 63% Protein (5) Fish Meal 60% Protein (6) Herring Fish Meal (7) Fraser Valley (8) Wheat & Barley (Basis - Cash Price WCE) (9) Oats 3CW

B. CASH PRICES AND REPLACEMENT VALUES

September 6, 2005

PRAIRIE GRAINS

Selected Points	Price Basis		This week 6-Sep-05	Last week 22-Aug-05	Month ago 8-Aug-05	Year ago 13-Sep-04
From: Thunder Bay(WCE) (2)	In-store	Wheat	107.00	107.00	108.00	136.80
(CBOT)		Oat	142.25	149.50	155.25	141.75
(Lethbridge)		Barley	102.00	104.00	105.00	105.00
To: Bayport, ON (1)	In-store	Wheat	130.61	130.61	131.61	160.41
		Oat	N/A	N/A	N/A	N/A
		Barley	129.39	131.39	132.39	132.39
Montreal, QC (1)	In-store	Wheat	135.03	135.03	136.03	164.83
		Oat	N/A	N/A	N/A	N/A
		Barley	134.31	136.31	137.31	137.31
Moncton, NB	Truck via Halifax	Wheat	157.25	157.25	158.25	187.05
		Oat	N/A	N/A	N/A	N/A
		Barley	158.50	160.50	161.50	161.50
Truro, NS	Truck via Halifax	Wheat	151.22	151.22	152.22	181.02
		Oat	N/A	N/A	N/A	N/A
		Barley	156.00	158.00	159.00	159.00
Halifax, NS (1)	In-store	Wheat	142.28	142.28	143.28	172.08
		Oat	N/A	N/A	N/A	N/A
		Barley	142.30	144.30	145.30	145.30
Stephenville, NL	Track / Truck via Sydney	Wheat	205.63	205.63	206.63	235.43
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A
Melfort, SK		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A
Bayport, ON	Track	Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A
Montreal, QC	Track	Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A
Moncton, NB	Track	Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A
Truro, NS	Track	Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A
Stephenville, NL	Track / Truck via Sydney	Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A

Selected Points	Price Basis		This week 6-Sep-05	Last week 22-Aug-05	Last week 8-Aug-05	Year ago 13-Sep-04
Corn						
From: US Lake Port	On Board Vessel		94.61	98.09	100.06	127.88
To: Montreal, QC (1)	In-store		113.65	117.13	119.10	146.92
From: Chicago (IL)	Track		101.62	99.04	101.00	112.67
To: Montreal, QC	Track		130.48	127.90	129.86	141.53
From: Chatham, ON	Track		105.65	109.27	110.30	143.70
To: Montreal, QC	Track		129.52	133.14	134.17	167.57

Selected Points	Price Basis		This week 6-Sep-05	Last week 22-Aug-05	Last week 8-Aug-05	Year ago 13-Sep-04
Soymeal 48% Protein						
From: Hamilton, ON			274.58	283.07	224.54	303.46
To: Montreal, QC	Track		298.91	307.40	248.87	327.79
Moncton, NB	Track		317.66	326.15	267.62	346.54
Truro, NS	Track		320.88	329.37	270.84	349.76
Stephenville, NL	Track / Truck via Sydney		369.51	378.00	319.47	398.39

- Prices include ONE month of storage and interest charges n/a = not available
- Thunder Bay prices are based on the Winnipeg Commodities Exchange market close (Cash price)

Source: Market Analysis Division, Agriculture and Agri-Food Canada

Contact: André Doumbé: Statistical Clerk (204) 983-0581 Fax: (204) 983-5524 e-mail: doumbea@agr.gc.ca

Footnotes: All prices quoted in Canadian dollars per metric tonne.

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Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec.

Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable

A. SELLING PRICE OF BULK FEED INGREDIENTS AT SELECTED POINTS

September 6, 2005

SELECTED POINT	REFERENCE PERIOD	PRICE BASIS	(1)	WHEAT	OATS	BARLEY	CORN	PRICE BASIS	SOYBEAN MEAL	CANOLA MEAL	MILL-FEEDS	MEAT MEAL	FISH MEAL	ANIMAL FAT	GLUTEN MEAL	GLUTEN FEED	FEED PEAS	DEHY ALFALFA	FEATHER MEAL
Vancouver	September 6, 2005	FOB		N/A	N/A	N/A	135.00		282.00	158.00	98.00		850.00	460.00					415.00
BC (4) (7)	August 29, 2005	FOB		129.00	N/A	134.00	137.00		281.00	153.00	105.00		850.00	460.00					415.00
Calgary	September 6, 2005	FOB		N/A	N/A	N/A	N/A		285.50			145.00	975.00	495.00					390.00
AB (4)	August 29, 2005	FOB		104.00	N/A	105.00	130.00		286.50			145.00	975.00	495.00					390.00
Saskatoon	September 6, 2005	FOB		90.25	139.00	88.75	N/A		273.00	N/A		150.00	N/A	495.00			116.33		430.00
SK (4)	August 29, 2005	FOB		90.25	139.00	88.75	117.00		274.00	N/A		150.00	N/A	495.00			117.77		430.00
Winnipeg	September 6, 2005	FOB		131.00	140.00	109.00	N/A		262.33	N/A		290.00	1025.00	525.00					360.00
MB (4) (9)	August 29, 2005	FOB		131.00	140.00	108.00	105.00		263.00	N/A		290.00	1025.00	525.00					360.00
Thunder Bay	September 6, 2005	In-Store		107.50	N/A	102.00													
ON (8)	August 29, 2005			107.00	N/A	105.15													
Lake Ports	September 6, 2005	On Board					94.61												
USA (3)	August 29, 2005	Vessel					100.06												
Bay Ports	September 6, 2005	In-Store		140.00	205.00	118.00													
ON	August 29, 2005			140.00	205.00	118.00													
Chatham	September 6, 2005	Track					105.65												
ON	August 29, 2005						115.43												
Toronto	September 6, 2005	N/A						FOB				193.00	N/A	460.00		114.00		270.00	460.00
ON (5)	August 29, 2005											193.00	N/A	460.00		114.00		270.00	460.00
Hamilton	September 6, 2005	N/A							274.58	#N/A									
ON	August 29, 2005								279.65	#N/A									
Eastern	September 6, 2005	FOB					104.50												
ON	August 29, 2005						109.00												
London	September 6, 2005	FOB																	
ON	August 29, 2005																		
Port Colborne	September 6, 2005	FOB																	
ON	August 29, 2005																		
Cardinal	September 6, 2005	FOB																	
ON	August 29, 2005																		
Montreal	September 6, 2005			141.00	140.00	141.00	115.00		297.01	193.58	55.00	260.00	850.00	453.00	425.00	114.00		270.00	488.00
QC (5)	August 29, 2005			141.00	150.00	140.50	115.00	FOB	300.86	198.20	55.00	250.00	850.00	431.00	425.00	114.00		270.00	410.00
Trois-Rivières	September 6, 2005	In-Store		135.10		149.20	126.86												
QC	August 29, 2005			138.40		149.30	121.55												
St. Jean QC (2)	September 6, 2005	FOB		132.64	114.04	125.54	113.03		277.40										
St. Hyacinthe QC	August 29, 2005			119.30	113.15	116.92	106.18		277.64										
Quebec	September 6, 2005	In-Store		142.37	N/A	160.66	121.73		295.94	204.88									
QC	August 29, 2005			143.47	N/A	160.70	124.90		304.00	204.97									
Truro	September 6, 2005	Track		164.03		167.20	154.40		338.16	258.86									
NS	August 29, 2005			173.44		167.20	162.09	FOB	342.76	258.86									
Truro	September 6, 2005	Water		N/A	N/A	N/A	N/A												
NS	August 29, 2005			N/A	N/A	N/A	N/A												
Hallifax	September 6, 2005	Truck		N/A	N/A	N/A	N/A		341.00		297.50		1,050.00	N/A					
NS (6)	August 29, 2005	In-Store		N/A	N/A	N/A	N/A		340.00		297.50		1,100.00	N/A					

Source: Market Analysis Division, Agriculture and Agri-Food Canada; Thunder Bay prices are based on the Winnipeg Commodity Exchange (WCE) market close
 Contact: André Doumbé Statistical Clerk Telephone: (204) 983-0581 Fax: (204) 983-5524 Email: doumbea@agr.gc.ca
 N/A = not available

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 Grain grades (unless otherwise specified) are: Western or Eastern Feed Wheat, Feed Oats, No.1 Canada Western or Eastern Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn.
 Soybean Meal 48 % Protein. Canola Meal based on minimum standard of 35% Protein. Fish Meal: white fish and/or herring meal. Gluten Meal 60% Protein. Gluten Feed 21% Protein.

(1) Wheat 3CWRs (2) Canadian Corn #3 or #2 (3) US Corn (4) Fish Meal from West Coast 63% Protein (5) Fish Meal 60% Protein (6) Herring Fish Meal (7) Fraser Valley (8) Wheat & Barley (Basis - Cash Price WCE) (9) Oats 3CW

CANADA: PULSE AND SPECIAL CROPS SUPPLY AND DISPOSITION

August 31, 2005

Grain and Crop Year (a)	Area Seeded 000 ha	Harvested	Yield t/ha	Production	Imports (b)	Total Supply	Exports (b)	Total Domestic Use (d)	Carry-out Stocks	Average Price (e) \$/t
----- thousand metric tonnes -----										
Dry Peas										
2001-2002	1,344	1,285	1.57	2,023	27	2,245	1,381	589	275	190
2002-2003	1,297	1,050	1.30	1,365	41	1,681	628	743	310	210
2003-2004	1,303	1,271	1.67	2,124	24	2,458	1,316	937	205	175
2004-2005p	1,388	1,345	2.48	3,338	40	3,583	1,900	1,083	600	135
2005-2006f	1,410	1,364	2.37	3,228	30	3,858	2,100	1,158	600	115-145
Lentils										
2001-2002	708	664	0.85	566	6	828	478	219	131	320
2002-2003	601	387	0.91	354	9	494	320	119	55	390
2003-2004	554	536	0.97	520	5	580	368	174	38	420
2004-2005p	778	750	1.28	962	8	1,008	510	328	170	310
2005-2006f	860	847	1.44	1,219	5	1,394	620	324	450	265-295
Dry Beans										
2001-2002	184	175	1.70	298	42	380	263	82	35	725
2002-2003	230	219	1.89	414	40	489	298	96	95	445
2003-2004	167	167	2.13	356	31	482	344	83	55	495
2004-2005p	163	126	1.75	220	30	305	263	37	5	650
2005-2006f	203	172	1.77	304	40	349	270	59	20	530-560
Chickpeas										
2001-2002	486	467	0.97	455	12	497	146	211	140	380
2002-2003	221	154	1.01	156	9	305	105	140	60	300
2003-2004	63	63	1.08	68	2	130	74	36	20	330
2004-2005p	47	39	1.31	51	5	76	45	26	5	385
2005-2006f	77	72	1.39	100	5	110	65	35	10	410-440
Mustard Seed										
2001-2002	166	158	0.66	105	3	213	171	9	33	685
2002-2003	289	255	0.60	154	9	196	114	22	60	595
2003-2004	340	328	0.69	226	2	288	121	75	92	390
2004-2005p	317	304	1.00	305	2	399	130	79	190	295
2005-2006f	217	212	1.04	220	2	412	150	77	185	285-315
Canary Seed										
2001-2002	170	163	0.70	114	0	184	134	20	30	660
2002-2003	287	227	0.78	176	0	206	164	22	20	575
2003-2004	251	243	0.93	226	0	246	168	11	67	345
2004-2005p	356	318	0.94	300	0	367	175	37	155	230
2005-2006f	204	199	1.23	244	0	399	185	44	170	205-235
Sunflower Seed										
2001-2002	73	67	1.55	104	29	179	92	65	22	355
2002-2003	100	95	1.65	157	21	200	105	60	35	440
2003-2004	119	115	1.30	150	16	201	96	80	25	405
2004-2005p	87	59	0.92	54	30	109	35	69	5	490
2005-2006f	98	81	1.31	106	30	141	55	76	10	375-405
Buckwheat										
2001-2002	14	14	1.14	16	1	17	6	8	3	325
2002-2003	12	12	1.00	12	1	16	6	7	3	340
2003-2004	9	9	1.11	10	1	14	5	7	2	355
2004-2005p	9	7	0.71	5	1	8	4	4	0	355
2005-2006f	7	5	1.00	5	1	6	2	4	0	340-370
Total Pulse And Special Crops ('c)										
2001-2002	3,131	2,993	1.23	3,681	120	4,543	2,671	1,203	669	
2002-2003	3,025	2,399	1.16	2,788	130	3,587	1,740	1,209	638	
2003-2004	2,797	2,732	1.35	3,680	81	4,399	2,492	1,403	504	
2004-2005p	3,136	2,948	1.78	5,235	116	5,855	3,062	1,663	1,130	
2005-2006f	3,075	2,952	1.84	5,426	113	6,669	3,447	1,777	1,445	

(a) August-July crop year.

(b) Excludes products.

(c) Includes Pulse Crops (dry peas, lentils, dry beans, chick peas) and Special Crops (mustard seed, canary seed, sunflower seed, buckwheat)

(d) Includes food, feed, seed, waste and dockage. Total domestic use is calculated residually.

(e) Producer price, FOB plant. Average over all types, grades and markets.

p: preliminary

f: forecast, Agriculture and Agri-Food Canada, August 31, 2005

Source: Statistics Canada and industry consultations.



CANADA: PULSE AND SPECIAL CROPS OUTLOOK

August 31, 2005

Total Canadian pulse and special crops production is estimated to increase by 4%, from 2004-05, to 5.43 million tonnes (Mt), based on Statistics Canada's (STC) July 31 production estimates and AAFC forecasts where STC estimates were not available. Total supply is expected to increase by 14% to 6.67 Mt, due to higher production and higher carry-in stocks. Exports are forecast to increase by 13% and domestic use by 7% due to stronger demand, but carry-out stocks are also expected to increase. Average prices, over all types, grades and markets, are forecast to increase for chickpeas and mustard seed, decrease for dry peas, lentils, dry beans, canary seed and sunflower seed, and be the same for buckwheat.

STC's yield estimates are significantly higher than trend for Ontario, Saskatchewan and Alberta, and much below trend for Manitoba. Since the survey was conducted from July 20 to August 5 before the start of harvest, the actual yields for crops in western Canada could be lower than the estimates because of hot and dry weather in late July and early August. Crop abandonment is expected to be slightly lower than normal, except for Manitoba where significantly higher than normal abandonment is expected. Harvest progress is about a week behind normal, but significantly ahead of 2004-05. Harvesting of dry peas, lentils, chickpeas and mustard seed is underway and harvesting of canary seed and dry beans has started. The buckwheat harvest is expected to start in mid September and the sunflower seed harvest in early October. Quality is expected to be normal and significantly better than in 2004-05, assuming that precipitation and temperatures will be normal for the harvest period. Wet weather and early frosts would reduce both yields and quality.

The main factors to watch are precipitation and temperatures during September and October in Canada. Other factors to watch are the exchange rates of the Canadian dollar against the US dollar and other currencies, ocean shipping rates, and growing and harvest conditions in major producing regions, especially United States, India and Australia.

DRY PEAS

For 2005-06, production is estimated to decrease by 3%, as a 2% rise in seeded area is more than offset by lower yields. Production is expected to decrease for yellow, green and other types. Supply is forecast to increase by 8% due to higher carry-in stocks. World supply is expected to increase by 2% to 12.6 Mt, but use is also forecast to increase, resulting in stable carry-out stocks. Canadian exports and domestic use are expected to increase due to stronger demand in the food markets in Asia and in the feed markets in the EU and Canada. Carry-out stocks are forecast to remain stable, with a stocks-to-use (s/u) ratio of 18%. The average price, over all types, grades and markets, is forecast to decrease slightly due to the higher world supply.

LENTILS

For 2005-06, production and supply are estimated to increase significantly, due to an 11% rise in seeded area and higher yields. Production is expected to increase for all types; large, medium and small green, and red. World supply is forecast to increase by 14% to 4.44 Mt. Although world use is expected to increase because of higher demand, resulting mostly from lower prices, carry-out stocks are forecast to rise. Canadian exports are expected to increase by 22% due to the higher demand. Carry-out stocks are forecast to rise significantly, with a s/u ratio of 48%. The average price, over all types and grades, is forecast to decrease moderately from 2004-05, as pressure from higher world supply is partly offset by support from higher quality.

DRY BEANS

For 2005-06, production and supply are estimated to increase, due to a 25% rise in seeded area and lower abandonment. Production is expected to increase for white pea, pinto, black, dark and light red kidney, cranberry and small red beans, but remain

stable for Great Northern and pink beans. US production is forecast to increase by 44% to 1.12 Mt, while supply increases by only 20% to 1.26 Mt due to lower carry-in stocks. Canadian exports are forecast to increase slightly due to higher supply. Carry-out stocks are expected to increase, with a s/u ratio of 6%. The average price, over all classes and grades, is forecast to decrease due to the higher supply.

CHICKPEAS

For 2005-06, production and supply are estimated to increase, because of a 65% increase in seeded area, lower abandonment and higher yields. Production is expected to increase for large and small kabuli types, but decrease slightly for the desi type. World supply is expected to increase marginally to 8.95 Mt. Canadian exports are forecast to increase due to the higher supply. Carry-out stocks are expected to increase, but remain low. The average price, over all types, grades and sizes, is forecast to increase due to higher quality and a shift to the production of the higher priced kabuli types.

MUSTARD SEED

For 2005-06, production is estimated to decrease by 28% because of a 32% fall in seeded area, which is partly offset by higher yields. Production is expected to decrease for all types, yellow, brown and oriental. Supply is expected to increase slightly due to higher carry-in stocks. Although exports are forecast to rise due to higher demand, carry-out stocks are forecast to decrease only slightly, with a s/u ratio of 81%. The average price, over all types and grades, is expected to increase marginally as higher quality more than offsets pressure from the higher supply.

CANARY SEED

For 2005-06, production is estimated to decrease by 19%, as a 43% fall in seeded area is mostly offset by higher yields. Supply is

expected to increase by 9%, as higher carry-in stocks more than offset the fall in production. World supply, 90% of which is in Canada, is forecast to increase by 8% to 440,000 t. Although Canadian exports are expected to increase due to higher demand, carry-out stocks are forecast to rise, with a s/u ratio of 74%. The average price is forecast to decrease because of the higher supply.

SUNFLOWER SEED

For 2005-06, production and supply are estimated to increase due to a 12% rise in seeded area, lower abandonment and higher yields. Production is expected to increase for both types, confectionery and oilseed. US supply is forecast to increase by 49% to 1.62 Mt. World supply is expected to increase by 5% to 28.7 Mt. Canadian exports and domestic use are forecast to increase because of the higher supply. Carry-out stocks are expected to increase, but remain low. The average price, over both types and all grades, is forecast to decrease because of the higher supply in US and Canada.

BUCKWHEAT

For 2005-06, Canadian production is forecast to remain stable, as a lower seeded area is offset by lower abandonment and higher yields. Supply is expected to decrease due to lower carry-in stocks. Exports are forecast to decrease and carry-out stocks are expected to be negligible. The average price is forecast to be the same as in 2004-05, in line with a relatively stable world supply.

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CANADA: GRAINS AND OILSEEDS SUPPLY AND DISPOSITION

August 31, 2005

Grain and Crop Year (a)	Area		Yield t/ha	Production	Imports	Total	Exports	Food & Industrial Use (e)	Feed, Waste & Dockage	Total Domestic Use (d)	Carry-out Stocks	Average Price (f)
	Seeded	Harvested			(b)	Supply	(c)	thousand metric tonnes	thousand metric tonnes	thousand metric tonnes	thousand metric tonnes	thousand metric tonnes	Price (f)
Durum												
2003-2004	2,483	2,459	1.74	4,280	1	5,900	3,427	252	220	684	1,788	224.21
2004-2005P	2,230	2,141	2.32	4,962	1	6,751	3,170	255	406	881	2,700	199 *
2005-2006F	2,280	2,232	2.28	5,083	1	7,784	3,600	260	524	984	3,200	191 **
Wheat Except Durum												
2003-2004	8,179	8,009	2.41	19,272	16	23,395	12,300	2,775	3,222	6,804	4,292	206.03
2004-2005P	8,169	7,722	2.71	20,898	13	25,203	11,400	2,770	4,763	8,303	5,500	187 *
2005-2006F	7,742	7,530	2.61	19,633	10	25,143	13,200	2,800	3,833	7,443	4,500	184 **
All Wheat												
2003-2004	10,662	10,467	2.25	23,552	18	29,295	15,727	3,027	3,442	7,488	6,080	
2004-2005P	10,339	9,862	2.62	25,860	14	31,955	14,570	3,025	5,169	9,185	8,200	
2005-2006F	10,022	9,762	2.53	24,716	11	32,927	16,800	3,060	4,357	8,427	7,700	
Barley												
2003-2004	5,046	4,446	2.77	12,328	36	13,838	2,445	298	8,579	9,291	2,102	135.80
2004-2005P	4,678	4,050	3.26	13,186	100	15,388	2,000	300	9,553	10,288	3,100	112.15
2005-2006F	4,520	3,915	3.16	12,358	30	15,488	2,500	380	10,003	10,788	2,200	105-125
Corn												
2003-2004	1,265	1,226	7.82	9,587	2,108	12,805	346	2,415	8,890	11,317	1,143	137.18
2004-2005P	1,185	1,072	8.24	8,836	2,400	12,378	150	2,650	8,463	11,128	1,100	100.00
2005-2006F	1,121	1,072	7.74	8,297	2,800	12,197	150	2,700	8,332	11,047	1,000	100-120
Oats												
2003-2004	2,272	1,575	2.34	3,691	19	4,234	1,557	140	1,581	1,888	788	136.65
2004-2005P	1,995	1,315	2.80	3,683	25	4,496	1,500	130	1,574	1,896	1,100	130.68
2005-2006F	1,955	1,418	2.63	3,731	15	4,846	1,700	170	1,781	2,146	1,000	120-140
Rye												
2003-2004	246	147	2.22	327	0	357	171	47	60	125	60	104.44
2004-2005P	284	165	2.53	418	1	479	230	48	109	174	75	70-80
2005-2006F	218	159	2.39	380	1	456	200	48	111	176	80	70-90
Mixed Grains												
2003-2004	241	135	2.84	384	0	384	0	0	384	384	0	
2004-2005P	220	111	2.87	318	0	318	0	0	318	318	0	
2005-2006F	219	120	2.62	314	0	314	0	0	314	314	0	
Total Coarse Grains												
2003-2004	9,070	7,529	3.50	26,317	2,162	31,618	4,519	2,899	19,495	23,006	4,093	
2004-2005P	8,362	6,713	3.94	26,441	2,526	33,060	3,880	3,128	20,018	23,805	5,375	
2005-2006F	8,031	6,684	3.75	25,080	2,846	33,301	4,550	3,298	20,541	24,471	4,280	
Canola												
2003-2004	4,736	4,689	1.44	6,771	243	7,908	3,754	3,390	113	3,545	609	387.04
2004-2005P	5,319	4,938	1.57	7,728	150	8,487	3,410	3,031	419	3,502	1,575	309.15
2005-2006F	5,485	5,214	1.60	8,325	150	10,050	3,500	3,200	605	3,850	2,700	280-320
Flaxseed												
2003-2004	745	728	1.04	754	20	903	609	n/a	n/a	202	93	382.13
2004-2005P	728	528	.98	517	40	650	465	n/a	n/a	160	25	n/a
2005-2006F	844	809	1.29	1,044	20	1,089	700	n/a	n/a	239	150	320-360
Soybeans												
2003-2004	1,051	1,047	2.17	2,268	587	3,000	914	1,500 ^{1/}	319	1,947	140	395.04
2004-2005P	1,229	1,178	2.59	3,048	450	3,638	1,000	1,580 ^{1/}	488	2,193	445	248
2005-2006F	1,176	1,158	2.56	2,963	250	3,657	1,000	1,750 ^{1/}	447	2,307	350	240-280
Total Oilseeds												
2003-2004	6,531	6,464	1.52	9,794	850	11,811	5,277	n/a	n/a	5,693	841	
2004-2005P	7,277	6,643	1.70	11,293	640	12,774	4,875	n/a	n/a	5,855	2,045	
2005-2006F	7,506	7,181	1.72	12,332	420	14,796	5,200	n/a	n/a	6,396	3,200	
Total Grains And Oilseeds												
2003-2004	26,263	24,461	2.44	59,663	3,029	72,724	25,523	n/a	n/a	36,187	11,014	
2004-2005P	26,038	23,219	2.74	63,595	3,180	77,789	23,325	n/a	n/a	38,844	15,620	
2005-2006F	25,559	23,627	2.63	62,128	3,277	81,024	26,550	n/a	n/a	39,294	15,180	

(a) August - July crop year except corn and soybeans which are September - August.

(b) Excludes imports of products. (c) Includes exports of products for wheat, oats, barley, and rye. Excludes exports of oilseed products.

(d) Total Domestic Use = Food and Industrial Use + Feed Waste & Dockage + Seed Use

(e) Industrial use excludes flaxseed due to data confidentiality.

(f) Crop year average prices: No. 1 CWRS 11.5% protein and No. 1 CWAD 11.5% (CWB final price I/S St. Lawrence/Vancouver), Barley (No. 1 feed, WCE, cash, I/S Lethbridge), Corn (No. 2 CE, cash, I/S Chatham), Oats (US No. 2 Heavy, CBoT nearby futures); Rye (No. 2 Canada, Elevator bids at select western delivery points); Canola (No. 1 Canada, WCE, cash, I/S Vancouver); Flaxseed (No. 1 CW, WCE, cash, I/S Thunder Bay); Soybeans (No. 2, I/S Chatham).

* CWB Pool Return Outlook (PRO) - July 28, 2005 ** CWB Pool Return Outlook (PRO) - August 25, 2005

^{1/} Source for Food and Industrial Use is based on data from the Canadian Oilseed Processors Association.

P: preliminary

F: forecast - Agriculture and Agri-Food Canada - August 31, 2005

Source: Statistics Canada, Cereals and Oilseeds Review Series, Cat. No. 22-007



CANADA: GRAINS AND OILSEEDS OUTLOOK

August 31, 2005

For 2005-06, Canadian grain and oilseed production is estimated by AAFC to decrease to 62.1 million tonnes (Mt), from 63.6 Mt in 2004-05, largely based on Statistics Canada's (STC) *"July 31 Estimate of Production of Principal Field Crops"*. Hot and dry weather experienced during August, after the survey was taken, may result in actual yields being lower than expected by farmers at the end of July. Production in western Canada is estimated to decrease by 1% from 2004-05, to 47.7 Mt, with lower yields more than offsetting a larger harvested area. In eastern Canada, production is estimated to be down by 6%, to 14.4 Mt. Crop development is near normal in western Canada, but in eastern Canada crops are stressed by hot and dry conditions. Harvesting in western Canada is about 15% complete, slightly behind average. The quality of all crops is expected to be near normal, although wheat protein levels may be below average due to above normal yields.

Total supply of grains and oilseeds in Canada for 2005-06 is forecast to increase, to a near record level, due to sharply higher carry-in stocks. Exports are forecast to increase by 15% to about 27 Mt on support from improved quality. Total domestic usage is also forecast to increase but carry-out stocks will remain historically high. Generally, world prices are forecast to decline for wheat, but remain stable or rise slightly for corn and soybeans. Prices in Canada will continue to be pressured by the strong Canadian dollar. The major factors to watch are: harvest conditions in Canada and the US, import demand from China, EU export policy, ocean freight rates and the Canada/US exchange rate.

WHEAT (ex-durum)

For 2005-06, production is estimated to fall by 6%, due to lower area and yields. Although yields are slightly below last year, they are 10% above the 10-year average. Total supply is forecast to decline only marginally, due to higher carry-in stocks. These stocks are estimated to be mainly of low quality and as a result feed use is forecast to remain high, although down sharply from 2004-05. Exports are forecast to rise by 16% due to larger supplies of good quality wheat. Carry-out stocks are forecast to decline to a historically low level. The Canadian Wheat Board (CWB) August Pool Return Outlook (PRO) for Canada Western Red Spring wheat is below 2004-05 for high quality wheat, but unchanged to slightly higher for lower grades. Protein premiums have declined from last year, due to larger supplies of high quality spring wheat.

DURUM

Production is estimated to rise slightly due to higher seeded area and reduced abandonment. Although yields are lower than in 2004-05, they are 12% above the 10-year average. With record carry-in stocks, total supply is expected to rise by 15% to a record 7.8 Mt. Exports are expected to increase by 14% due to increased supplies of high quality durum and increased demand from major importers due to dryness in North Africa and southern Europe. However, carry-out stocks are projected to rise by 19% to a burdensome 3.2 Mt. The CWB 2005-06 PRO is below 2004-05 for all grades, due to higher North American supplies.

BARLEY

Production is estimated to fall by 6% from 2004-05, due to lower yields and harvested area. Total supply, however, is projected to increase slightly as lower production is more than offset by higher carry-in stocks resulting from the large production of low-quality barley in 2004-05. Exports are expected to rise by 25%, due to higher exportable

supplies of malting quality barley and less competition in overseas feed barley markets. Carry-out stocks are expected to drop significantly to near normal level. The off-Board feed barley price is forecast to rise slightly. Malting barley prices will be pressured by higher world production, with the CWB PRO for Special Select 2-Row down by \$6/t from 2004-05 to \$172/t.

OATS

Production is estimated to increase slightly, as higher harvested area more than offsets lower yields. Total supply is expected to rise by 8%, due to higher carry-in stocks, which resulted from below-normal exports in 2004-05 related to the poor crop quality. Exports are forecast to rise by 13% due to larger supply and improved crop quality. Carry-out stocks are expected to decrease. Feed oats prices are forecast to be similar to 2004-05, with reduced premium for milling oats.

CORN

Production is estimated to decline by 6% due mainly to lower yields. This is expected to result in a 17% increase in corn imports, mainly from the US to eastern Canada. Shipments of feed wheat and barley from western to eastern Canada are expected to decrease. Food and industrial use is forecast to rise, due to higher ethanol production. Prices are expected to rise due to higher Chicago corn prices and strengthening Chicago-Chatham spreads.

CANOLA

Production is estimated to rise by 8%, with total supply expected to increase by 18% due to higher carry-in stocks. Crop quality is expected to be slightly below normal due to stress from heat and excessive moisture and premature ripening. Despite burdensome supplies, domestic crush and exports are forecast to rise by only 6% and 3% respectively, due to competition from large

supplies of palm oil and soybeans in competing countries. Carry-out stocks are forecast to increase sharply, to a record 2.7 Mt. The average price is forecast to decrease under pressure from historically low US soyoil prices, the high Canadian dollar and the burdensome carry-out stocks.

FLAXSEED (excluding solin)

Production is estimated to increase by 102% to the highest level since 1998-99, due to a sharp rise in seeded area. Total supply is expected to rise by 68%. Exports are forecast to increase sharply due to strong EU demand and higher supply. Carry-out stocks are expected to rise sharply, but are not considered to be burdensome. The average 2005-06 price is expected to decline.

SOYBEANS

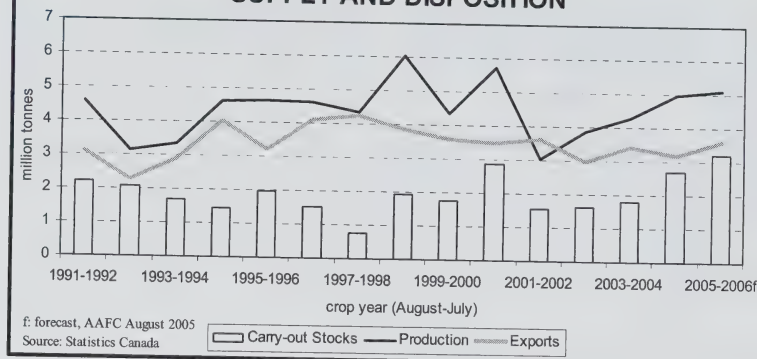
Production is estimated to fall by 3%, due to lower seeded area and yields. Despite lower imports, total supply is expected to rise slightly due to higher carry-in stocks. Domestic use is expected to rise by 5%, to a near record level. Exports are forecast to remain stable despite competition from large US and South American supplies. The average Chatham price is forecast to rise, due to stronger world soybean prices.

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CANADA: DURUM WHEAT SUPPLY AND DISPOSITION



4 bu/ac above the 10-year average. Production is estimated by SC at 19.6 Mt, 6% below 2004-2005.

2005. As a result, production is estimated to increase by 2%, to 5.1 Mt, the highest since 2000-2001.

As with non-durum wheat, quality is expected to be much better than last year, but potentially below normal, due to the wet growing conditions. As well, protein levels may be below average.

Carry-in stocks are up by 48%, at a record 2.7 Mt, with most expected to be of lower grades. Supplies are projected to increase by 15%, to a record 7.8 Mt, well above the 10-year average of 6.3 Mt. Exports are projected to rise by 16%, to 3.6 Mt, due to increased supplies, particularly of the top milling grades, and improved world demand, particularly in the EU and North Africa. However, durum demand is inelastic as there are few uses for the crop other than for pasta

Assuming normal harvest weather, the quality of the crop in western Canada is expected to be much better than in 2004-2005, when one of the poorest quality crops on record was harvested due to premature frost and wet harvest conditions. However, protein content is negatively correlated with yields, so that protein levels may be below normal. In Ontario, production is forecast to decline by 5% to 1.6 Mt, but with good quality reported.

Carry-in stocks have risen by 28%, partially offsetting the lower production. Supplies are projected to be only marginally lower than for 2004-2005. However, these stocks are largely of poor quality wheat, which is expected to result in above-normal wheat feeding for the second year in a row. Exports are forecast to increase by 16%, to 13.2 Mt, due to increased supplies of good quality wheat. Carry-out stocks are projected to fall by 18% to a historically low 4.5 Mt, due to improved crop quality and strong export demand.

For durum wheat, 2005-2006 area seeded is similar to last year at 2.3 Mha, with reduced levels of abandonment resulting in a 4% increase in harvested area. The good moisture and heat this summer has increased durum yield potential, and the average yield is estimated at a well above average 2.28 t/ha (33.9 bu/ac), just marginally lower than in 2004-

or couscous, and it is unlikely that all Canadian supplies in 2005-2006 can be exported or consumed domestically. Therefore, carry-out stocks are expected to rise for the fourth consecutive year, to a record 3.2 Mt, well above the 10-year average of 1.8 Mt.

PRICE OUTLOOK

World

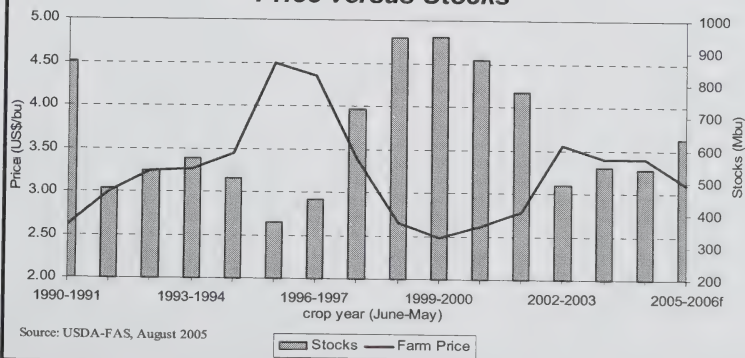
For 2005-2006, wheat prices are expected to generally decrease from 2004-2005. Pressure from higher carry-out stocks in the US is expected to more-than offset support from lower production and carry-out stocks at the world level. As the major wheat futures markets are located in the US, and since the US is a major producer and exporter of wheat, the US market has a disproportionate impact on world wheat prices. Global import demand is expected to decrease which also pressures prices downward.

Agriculture and Agri-Food Canada forecasts that world prices, as measured by the benchmark US Hard Winter Ordinary (HWO) price, FOB Gulf ports, which is determined largely by the KCBT futures market, will decrease to US\$140-\$150/t for 2005-2006 from US\$154/t in 2004-2005 (August-July).

United States

Average US wheat prices are expected to decline due to higher US carry-out stocks, which are negatively correlated with the average US farm price.

UNITED STATES: ALL WHEAT Price versus Stocks



For durum, production is forecast by IGC at 2.0 Mt, unchanged from 2004-2005. Most of it is used domestically.

China

Excluding the EU-25, China is the world's largest wheat producer, with production averaging 92 Mt over the past 5 years. Due to lower government support, area seeded to wheat has decreased by 28% since 1997-1998. This has largely affected the production of lower quality wheat as the emphasis shifted to producing higher quality varieties. As a result, Chinese wheat production and supplies fell and China began to import wheat in 2003-2004, with imports reaching 7 Mt in 2004-2005, the highest in a decade.

For 2005-2006, production is forecast to increase by 4% to 95 Mt but due to lower carry-in stocks, supplies are projected to fall marginally. However, Chinese wheat consumption levels have steadily declined since 2000-2001, as consumers have diversified their diets to include more meat, fruits and vegetables. For 2005-2006, consumption is forecast at 101 Mt, the lowest since 1987-88. Imports are forecast to decrease to 3 Mt of which 1.5 Mt are expected to be sourced from Canada, versus 2.1 Mt in 2004-2005.

Middle East

Middle Eastern wheat production is forecast to decrease marginally from 2004-2005 causing imports to increase. The major Canadian market in this region was Iran, which has imported large quantities of wheat in previous

years. However, wheat production in Iran is forecast to increase to a record level leading to a decrease in wheat imports. Canada is not expected to export wheat to Iran in 2005-2006, as was also the case in 2004-2005.

Syria and Turkey are the major durum producers in the Middle East. For 2005-2006, Syrian durum production is expected to remain unchanged, at 2.5 Mt. Exports are forecast by IGC to rise by 45%, to a record 0.8 Mt. Turkish production is also expected to remain unchanged, at 3.2 Mt. Exports are forecast to double from 2004-2005, to 0.2 Mt.

North Africa

The North African countries, particularly Algeria, Morocco, Tunisia and Libya, are important to Canada as they make up the largest single world

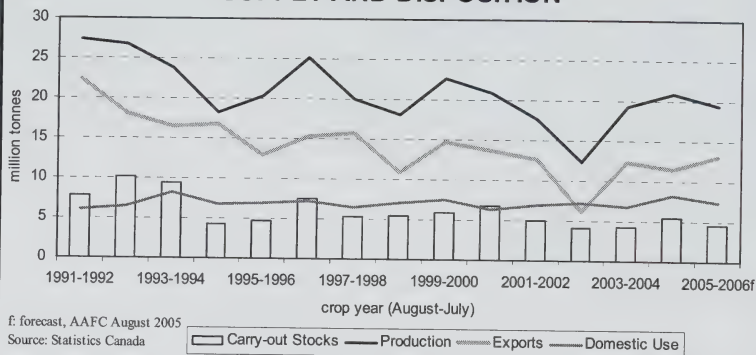
market for durum wheat. North Africa is also a major market for non-durum wheat, but not for Canadian wheat, sourcing most of their soft wheat imports from the EU and US.

For 2005-2006 North African wheat production is expected to decrease due to a drought in Morocco and Algeria. Total wheat production is forecast to fall by 25%, at 12.4 Mt. Durum production is expected to decrease by 29%, to 3.8 Mt, due to reduced harvested area and lower yields, but remain above the 10-year average of 3.5 Mt. As a result, total imports are forecast by the USDA to increase by 6%, to 18.6 Mt. Durum imports by Algeria, Morocco, Tunisia and Libya are forecast by IGC to rise by 24%, to 3.1 Mt. Durum exports from Canada to North Africa are projected to increase significantly to about 1.5 Mt from 1.0 Mt in 2004-2005.

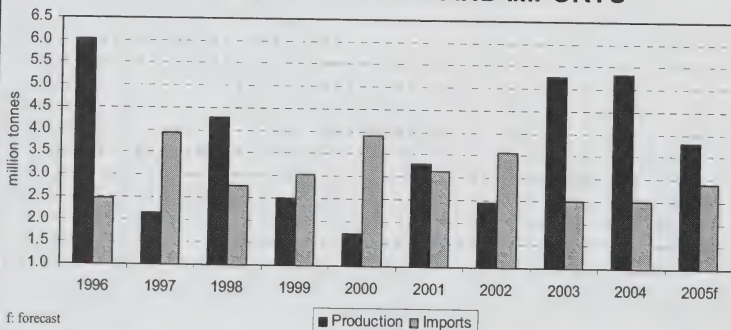
Canada

For non-durum wheat, 2005-2006 seeded area declined slightly, to 7.7 million hectares (Mha). In addition to this decline, abandonment is expected to be historically high for the second consecutive year due to excessive rain in Manitoba. A decrease of 3% in the harvested area estimates by Statistics Canada (SC) reflect those expectations. Despite poor yields in much of Manitoba, good moisture in the remainder of the Prairies is expected to result in average yields just 4% below last year's record, at 2.61 tonnes per hectare (t/ha) {38.8 bushels per acre (bu/ac), about

CANADA: NON-DURUM WHEAT SUPPLY AND DISPOSITION



NORTH AFRICA: DURUM PRODUCTION AND IMPORTS





Bi-weekly Bulletin

June 17, 2005 Volume 18 Number 12

EUROPEAN UNION: PULSE CROPS SITUATION AND OUTLOOK

The European Union (EU) is an important market for Canadian dry peas, dry beans, lentils and chickpeas. Exports of Canadian pulse crops to the EU averaged about \$250 million per year over the past five years. However, the EU is also a competitor with Canada in world markets for dry peas and fababeans. This issue of the *Bi-weekly Bulletin* examines the situation and outlook for the production and trade of pulse crops in the EU.

PRODUCTION

The EU is a large producer of dry peas and fababeans, and a smaller producer of vetches, lupins, dry beans, chickpeas and lentils. Dry peas, fababeans, vetches and lupins are produced mainly for the livestock feed market, especially for feeding hogs; whereas dry beans, lentils and chickpeas are produced for the human food market. During the past ten years, there was a slight downward trend in total pulse crops seeded area and production.

Dry Peas

Dry peas are the largest pulse crop produced in the EU. However, there has been a pronounced downward trend in seeded area and production during the past ten years because for some producers returns from alternative crops, such as cereal grains and fababeans, were higher. Most of the dry peas produced are the yellow type, but green, green marrowfat and other types are also produced. Average yields have been relatively stable over this period. Although nearly all EU countries produce dry peas, France is the largest producer, followed by Germany, the United Kingdom (UK), and Spain. Production has been trending upwards in Spain and the UK, trending downwards in France and has been relatively stable in Germany.

Fababeans

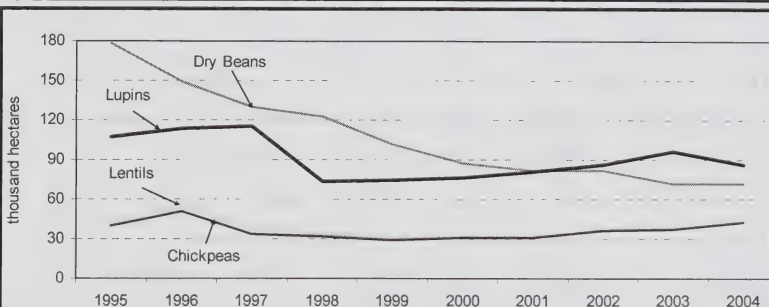
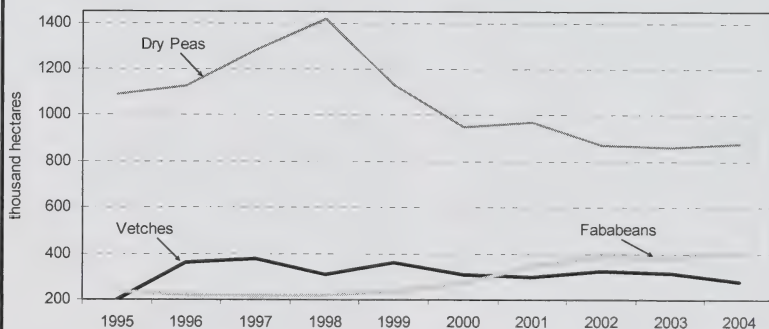
There has been an upward trend in the EU fababean seeded area, average yields and production. Fababean production is mainly in the UK and France. Production has been trending upwards in the UK, France and Spain, but trending downwards in Italy. Although the average yields for fababeans are still lower than for dry peas (in 2004, 3.24 tonnes per hectare (t/ha) for fababeans versus 3.63 t/ha for dry peas), the difference in yields has been narrowing. Fababeans

EUROPEAN UNION MEMBERS

Austria	Estonia*	Hungary*	Luxembourg	Slovakia*
Belgium	Finland	Ireland	Malta*	Slovenia*
Cyprus*	France	Italy	Netherlands	Spain
Czech Republic*	Germany	Latvia*	Poland*	Sweden
Denmark	Greece	Lithuania*	Portugal	United Kingdom

*Countries which joined the EU in 2004

EUROPEAN UNION: PULSE CROPS SEEDING AREA*



Source: Union Nationale Interprofessionnelle des plantes riches en Protéines (UNIP) and FAO.
*Includes countries which joined the EU in 2004.

have a protein content of about 27%, versus 22% for dry peas, which gives them an advantage in livestock rations requiring higher protein levels.

Vetches

EU production of vetches has been variable, due to a high variability in yields, as the seeded area has been relatively stable. Spain accounts for a large majority of vetch production in the EU.

Lupins

EU seeded area, yields and production of lupins has been relatively stable after a sharp drop in 1998. Germany, France and the UK are the main producing countries.

Dry Beans

EU seeded area for dry beans has been trending downwards. Production has also been trending downwards, but at a lower rate due to an upward trend in yields. Several classes of white and coloured beans are produced in the EU. The main producing countries are Poland, Greece, Italy and France.

Lentils

EU lentil production has been variable during the past ten years, due partly to a seeded area which trended downward until 1999 and has been trending upwards since then, and partly due to highly variable yields. The EU produces green and brown lentils. Spain accounts for most of the production and the only other significant producers are France, Italy and Greece.

Chickpeas

EU chickpea production has been variable during the past ten years, due partly to a seeded area which trended downward until 1999 and has been trending upwards since then, and partly due to highly variable yields. The EU produces kabuli chickpeas. Spain accounts for most of the production and the only other significant producers are Italy, Greece and Portugal.

TRADE

The EU is a large importer of dry peas and lupins, mainly for the livestock feed market, and of dry beans, lentils and chickpeas for the human food market. The EU is a major exporter of dry peas and fababeans into food markets. This analysis deals with calendar years 1995 to 2003, as complete data for 2004 is not available.

Dry Peas

EU dry pea imports have been variable, depending on supply and prices, but Canada's share of the imports has been increasing. Imports from Canada fell sharply in 2002, due to low Canadian supply, but rose in 2003 and rose further to 612,500 tonnes (t) in 2004, as Canadian supply increased. Canada has become the largest supplier of dry peas to the EU. Other significant suppliers are Ukraine, Russia and United States (US). Spain accounts for most of the EU dry pea imports from outside the EU. Other significant importers are Belgium, Netherlands, Germany, Italy, Ireland and Poland.

EU dry pea exports have been trending upwards, with a peak in 2002. In that year, there was a world shortage of dry peas and prices in the food markets were very high. Therefore, a significant portion of the dry peas produced in the EU were diverted to export food markets from domestic feed markets. France accounts for a large majority of EU dry pea exports with most of them going to India, Bangladesh and Cuba.

Dry Beans

EU dry bean imports have had a slight upward trend. However, imports from Canada have been trending upwards at a higher rate and Canada's share of the imports has been increasing. Canada has become the largest supplier, with most of the remainder coming from the US, China and Argentina. The main importing countries are UK, Italy, France, Netherlands, Spain, Portugal, Belgium,

Greece and Germany. The largest class of dry beans imported is white pea, but many other classes, white and coloured, are also imported.

Lentils

Total EU lentil imports and imports from Canada have been variable, but with no significant trend. Canada normally accounts for most of the imports, but imports from Canada dropped in 2002 and 2003 due to a sharp decrease in Canadian supply. The remainder comes mainly from the US, China and Turkey. The main importing countries are Spain, France, Italy, Belgium, Netherlands, UK, Germany and Greece. The EU generally imports green and brown lentils.

Chickpeas

EU chickpea imports have been variable, but with no significant trend. Imports from Canada peaked in 2002, but dropped sharply in 2003 due to reduced supply. Most of the EU chickpea imports come from Mexico, with Turkey, US and Canada the only other significant suppliers. Spain, Italy, France, Portugal and UK are the main importing countries. The EU generally imports large kabuli chickpeas.

Fababeans

EU fababean imports have been trending downwards, while exports have been trending upwards, reflecting the rise in EU production. Imports are no longer significant. EU fababeans are exported mainly to the Middle East, especially to Egypt. Nearly all of the exports come from the UK and France.

Lupins and Vetches

Nearly all of the EU lupin imports are from Australia. There is no significant trade in vetches.

Prices

EU prices for pulse crops in the food market generally follow world prices adjusted for exchange rates. However, there are some

EUROPEAN UNION: PULSE CROPS PRODUCTION*

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
	.....thousand tonnes.....									
Dry Peas	4 114	4 165	5 097	5 499	4 605	3 259	3 315	3 104	2 992	3 173
Fababeans	571	607	642	645	690	828	1 040	1 257	1 181	1 306
Vetches	116	267	229	159	122	164	117	163	180	172
Lupins	167	202	198	151	123	131	154	159	152	151
Sub-total 1	4 968	5 241	6 166	6 454	5 540	4 382	4 626	4 683	4 505	4 802
Dry Beans	191	178	185	185	168	142	140	141	126	126
Chickpeas	39	99	83	67	38	62	67	82	75	67
Lentils	19	39	27	27	22	37	28	35	34	32
Sub-total 2	249	316	295	279	228	241	235	258	235	225
Total	5 217	5 557	6 461	6 733	5 768	4 623	4 861	4 941	4 740	5 027

Sub-total 1: pulse crops used mainly for livestock feed

Sub-total 2: pulse crops used mainly for human food

*Includes countries which joined the EU in 2004.

Source: Union nationale interprofessionnelle des plantes riches en protéines and FAO

local preferences where people are willing to pay a premium for pulses which meet certain quality standards or which are produced locally. In the feed market, there is a preference with using dry peas, fababeans and lupins for feeding hogs and the feed industry is generally willing to pay some price premium over alternative feed ingredients, such as cereal grains, corn and protein meal. However, if the premium for dry peas, fababeans and lupins becomes too high, the feed users will partly shift to alternative ingredients.

OUTLOOK

EU 2003 Common Agricultural Policy (CAP) Reform

The 2003 CAP reform requires the decoupling of support payments from production. Decoupling officially begins in 2005, but individual countries may delay implementation until 2007. Regarding crops, nearly all EU countries plan to have full decoupling by 2006. The system of support in the ten countries which joined the EU in 2004 is somewhat more complex, but generally pulse crops in these countries will receive lower levels of support for a number of years.

Dry peas, fababeans and lupins are classified as protein crops. They are eligible for the same Single Farm Payment (SFP) as other types of production, plus a supplemental payment for protein crops of €55.57/ha (CAN\$83.35/ha at €1 = CAN\$1.50) on a maximum seeded area of 1.6 million hectares (Mha).

Chickpeas, lentils and vetches will have the same SFP as other types of production starting in 2006.

Dry beans are not eligible for support payments.

Production and Trade 2005

Production of dry peas is expected to decrease from 2004 due to a lower seeded area and drought in Spain, while production of fababeans increases in line with a higher seeded area. Production of vetches, chickpeas and lentils is expected to decrease because of the drought in Spain. Production of lupins and dry beans is expected to be similar to 2004.

The production changes in 2005 are forecast to increase demand for imported dry peas, lupins, lentils and chickpeas, and

decrease EU exports of dry peas.

Production Trends in the Longer Term

The maximum seeded area of 1.6 Mha eligible for the protein crops supplemental payment is higher than the total seeded area for these crops since 1998. The average seeded area for the 1999-2004 period was about 1.35 Mha. There was also a supplemental payment for protein crops under the previous support program. According to the report *Prospects for agricultural markets in the EU* prepared for the European Commission, the seeded area for protein crops is expected to stabilize at about 1.4 Mha for the 2005 to 2011 period, which is only slightly higher than the average for the previous six years. Of course, the mix within the protein crops group could change, with continued growth for fababeans and a decline for dry peas.

For the other pulse crops, the most likely increase in seeded area would be for vetches, which were limited in the area eligible for support payments and usually exceeded it, which reduced the support payments proportionally. For chickpeas and lentils, the area seeded was well under the previous area limit for support payments.

EUROPEAN UNION: PULSE CROPS IMPORTS AND EXPORTS*

calendar year	1995	1996	1997	1998	1999	2000	2001	2002	2003
Dry Peas									
Total Imports (kt)	1 549	942	754	813	781	1 018	869	380	319
Imports from Canada (kt)	677	458	481	524	554	793	658	30	306
Canada's share (%)	44	49	64	64	71	78	76	8	96
Total Exports (kt)	137	123	160	136	297	119	310	675	303
Dry Beans									
Total Imports (kt)	456	433	450	450	435	434	454	485	483
Imports from Canada (kt)	75	65	61	69	88	107	93	113	124
Canada's share (%)	16	15	14	15	20	25	20	23	26
Total Exports (kt)	29	22	27	35	30	45	38	45	35
Lentils									
Total Imports (kt)	194	184	164	171	176	197	186	177	178
Imports from Canada (kt)	128	119	104	107	112	98	148	82	73
Canada's share (%)	66	65	63	63	64	50	80	46	41
Total Exports (kt)	7	9	5	4	11	8	4	9	7
Chickpeas									
Total Imports (kt)	105	153	114	102	110	120	138	125	114
Imports from Canada (kt)	0	0	0	2	5	16	16	19	7
Canada's share (%)	0	0	0	2	5	13	12	15	6
Total Exports (kt)	7	11	4	7	8	7	5	3	4
Fababeans									
Total Imports (kt)	129	70	60	27	48	25	26	25	18
Total Exports (kt)	29	11	17	12	38	70	41	143	317
<i>crop year (July-June)</i>									
Lupins									
Total Imports (kt)	295	298	309	217	377	268	138	47	219

kt : thousand tonnes

Includes countries which joined the EU in 2004. Excludes trade between EU countries.

Source: FAO, UNIP and Statistics Canada

Therefore, the 2003 reforms will not likely have a significant impact on the area seeded. However, there has been an upward trend in the seeded area for both crops since 2002. Part of that was due to support payment reforms which established a separate area limit for chickpeas and lentils in 2000 and partly due to attractive prices. When the area limit had been combined for vetches, lentils and chickpeas, the limit would often be exceeded and support payments lowered proportionally for these crops. With the SFP, producers are expected to respond more to price indications in making their seeding decisions. Therefore, the seeded area and production of lentils and chickpeas will probably become even more variable from year to year, but relatively stable over the longer term.

For dry beans, there had been a downward trend in seeded area until 2003, when the area stabilized. Since dry beans are not eligible for support payments, the area seeded will depend on prices. The seeded area is probably not going to decrease further, but there could be a shift to countries with lower production costs, such as Poland and Hungary. If the returns from producing dry beans are sufficiently attractive, the seeded area could increase.

Growth in Demand

The population growth for the EU until the year 2011 is forecast by the European Commission to be only 0.2% per year. Therefore, any significant increase in domestic demand would have to come from increased consumption.

One area of increased demand is expected to be from the livestock feed sector, especially for feeding hogs, where dry peas and fababeans are used extensively. The poultry industry is also an important user of dry peas and fababeans. In the EU, pork and poultry production are forecast to increase by 6% from 2004 to 2011.

In the human food market, demand is expected to rise modestly due to the increased acceptance of pulses as a healthy food and changing eating trends. Pulses are increasingly being used in local cuisine or in cuisine adopted from other parts of the EU. Flour from pulses is increasingly being used in baking to increase the protein, fibre, mineral and vitamin content. The EU has a growing population of people who came from, or whose ancestors came from, the Middle East, northern Africa and the Indian sub-continent, where pulses are a staple. In addition, middle-eastern, North African and Indian sub-continent cuisine is being adopted by the general population.

Trends in Trade over the Longer Term

Imports of pulse crops for livestock feed, dry peas and lupins is expected to continue, but import volumes will depend, as in the past, on supply and price competitiveness with alternative feed ingredients. Imports of dry beans, chickpeas and lentils for human food are expected to trend upwards slightly due to increased demand.

When the ten new countries joined the EU in 2004, they adopted the tariff schedule of the EU, which for most pulse crops is zero. Prior to joining the EU, most of the new members had significant tariffs, in some cases as high as 73%. Therefore, the ten new EU member markets are now more accessible to Canadian pulse crops exports. However, this is a relatively modest improvement as these countries are not large importers of pulse crops.

Canada has established itself as the main exporter of dry peas, lentils and dry beans to the EU. For dry peas, the most probable competition will be from the US and Ukraine, as well as lupins from Australia. The US is increasing its production of dry peas, due to their inclusion under the loan program, but most of these are going to food markets. How much the US will have available for export to the EU will depend on food market demand, growth in domestic consumption for livestock feed and the development of a feed market for dry peas in eastern Asia. Imports from Ukraine will depend on production and domestic consumption for livestock feed. Ukraine used to be a much larger producer of dry peas, but they were used domestically for livestock feed. When Ukrainian livestock production dropped, Ukraine was able to export the surplus, with the exports going mainly to the EU. Imports of lupins from Australia will depend on Australian production and the growth of feed markets in eastern Asia, where lupins are also exported for livestock feed.

For lentils, imports from Canada are expected to recover with the higher Canadian supply. However, increased competition for Canada in EU markets is expected from the US, where production has been increasing since lentils were included under the loan program. Canadian dry bean exports are expected to continue their slight upward trend, but any growth in exports of chickpeas will depend on increased Canadian production.

EU pulse crops exports are expected to continue being mainly dry peas and fababeans. The volume of exports will depend on EU production and the level of price premiums available in export food markets over domestic feed markets. The most likely scenario is a slight downward trend for exports due to growing domestic demand and a stable supply.

Romania and Bulgaria

These countries are scheduled to join the EU in 2007. They are small producers of dry peas and dry beans, but the production is generally used domestically. Bulgaria also produces and exports small quantities of chickpeas and lentils. It is possible that Bulgarian production and exports might increase when it becomes a member of the EU and its producers start receiving support payments. However, membership of Romania and Bulgaria in the EU is not expected to have significant impact on the EU supply and demand of pulse crops.

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COMPARING THE YIELDS OF HARD RED SPRING WHEAT LINES FROM CANADA AND UNITED STATES

Canada is recognized in the international marketplace as a reliable supplier of consistent, high-quality wheat, a brand image that has been successfully developed since the early 1900s. Canada's success at wheat quality assurance is related to a complex set of institutional arrangements which have constrained the adoption of certain higher-yielding varieties. Some stakeholders in the grain industry are concerned that Canada's approach sacrifices too much yield to maintain this level of branding. This issue of the *Bi-weekly Bulletin* reports on the results of a statistical analysis that compared the yield and protein level of Canadian and United States (US) hard red spring (HRS) wheat lines grown side-by-side in the Hard Red Spring Wheat Uniform Regional Nursery (HRSWURN) cooperative nursery program administered by the US Department of Agriculture (USDA). Data from 1995 to 2004 point to a yield advantage of 1.83 bushels per acre (bu/ac) or 3.68% for US HRS wheat lines but a protein advantage of 0.417% for Canadian HRS wheat lines. Given the well-known inverse relationship between protein content and yield, the results suggest that the US yield advantage is offset by the Canadian protein advantage.

INTRODUCTION

Some stakeholders in the Canadian grain industry believe that Canadian HRS wheat yields are significantly lower than those in the US. This difference is generally attributed to the commercialization of higher-yielding varieties in the US. Canada's strict variety registration system is often cited as a barrier to achieving higher yields; in particular, some believe that the quality and kernel visual distinguishability (KVD) requirements for the Canada Western Red Spring (CWRS) wheat class come at the significant expense of yield. However, a yield difference between Canadian and US HRS lines has not been conclusively documented in the literature.

Measuring and Explaining Yield Differences

Limited research in this area is related to the lack of adequate data. The wheat yield data that are released to the public through various established channels – including the USDA National Agricultural Statistics Service, the Statistics Canada Field Crop Reporting Series, and provincial crop-insurance authorities – can be used to measure yield differences at the aggregate level between locations with similar soil conditions and farming practices. However, such aggregated data sources are of limited use in establishing an unbiased measure of yield difference, since these data are not accompanied by quality parameters such as

protein content that are known to affect yield. Protein content is an internationally accepted indicator of the end-use performance of the wheat in producing flour for bread dough, and is an important quality factor for HRS wheat since most of the varieties within this class are grown for bread production. Without protein information, the farm-gate difference in revenue between two varieties with different quality parameters cannot be accurately estimated. As a result, the value of cross-border yield comparisons at the aggregate level is limited.

In a study recently commissioned by the Canadian Grain Commission (CGC) entitled *Identifying the Benefits of Moving Away from KVD*, Dr. Brian Oleson identifies an alternative data source which appears to provide some basis for comparing the yield and protein level of Canadian and US wheat lines.¹ This data source is generated by the USDA-administered Hard Red Spring Wheat Uniform Regional Nursery (HRSWURN) cooperative nursery program,

through which public and private sector wheat breeders freely submit promising lines for evaluation at several research farms in Canada and the US. Each year Agriculture and Agri-Food Canada's (AAFC) Cereal Research Centre (CRC) enters a small number of advanced breeding lines into the program, which are then randomly assigned to test plots and grown alongside American lines at several research farms throughout Canada and the US.

A broad sample of HRSWURN data from the northern plains region was used to estimate (a) whether Canadian and American HRS wheat lines differ in both yield and protein content, and (b) the magnitude of the difference. Summary statistics were calculated for the yield and protein content of Canadian and American samples spanning several years at five research farms – St. Paul, Minnesota (MN); Crookston, MN; Morris, MN; Williston, North Dakota; and Swift Current, Saskatchewan. In addition, two statistical procedures were employed to test the equality of mean, and median, yield and protein content of Canadian and American HRS wheat lines at each research location.

¹ Brian T. Oleson, "Identifying the Benefits of Moving Away from KVD, Section 2: Impact Analysis of Key Value Chain Segments, The Wheat Breeding Segment of the Value Chain, Quantification of KVD-drag: Supporting Analysis," 19 December 2003, <http://www.grainscanada.gc.ca/Pubs/committee_reports/ved/oleson_sec2_a_03-c.htm> (2 July 2005), Supporting Analysis: HRSWURN Data and Aggregate Yield Data.

WHEAT QUALITY ASSURANCE IN CANADA AND THE U.S.

This analysis did not undertake an assessment of the system of quality evaluation that is in place for spring wheat in either country. It is recognized that each country has different quality evaluation mechanisms in place and that new wheat varieties are subject to rigorous evaluations in both countries.

The Canadian System

In Canada, the federal government regulates grain classification and grading through the *Canada Grain Act* and the *Seeds Act*. The *Canada Grain Act* provides the CGC with the power to "establish and maintain standards of quality for Canadian grain and regulate grain handling in Canada, to ensure a dependable commodity for domestic and export markets."² The CGC maintains a broad set of quality standards for each class of wheat in its annual *Grain Grading Guide*, including minimum protein requirements for premium grades of wheat. The *Seeds Act* helps the CGC maintain these standards by regulating the import, export and sale of seed of non-registered varieties in Canada.

The Canadian Food Inspection Agency (CFIA) is responsible for the registration of wheat varieties for production. It takes roughly ten years to develop a new wheat variety for production in Western Canada, where 95% of Canadian wheat is grown.³ The final stage of the registration process involves at least three years of nursery trials at various breeding centres across Canada, the recommendation of a CFIA approved recommending committee, and the final approval of the CFIA.⁴ In order to be considered for final approval, new varieties must be "equal to or better than" a benchmark set by a group of three to five varieties for "agronomic performance, end-use suitability, and response to diseases."⁵

In Western Canada, wheat is classified according to visual characteristics (size, shape, and colour), with each class of wheat having its own unique visual profile. Known as KVD, this requirement provides a low-cost, efficient basis for segregating



wheat classes in the bulk handling system. To prevent non-registered varieties with the CWRS kernel type but different quality parameters from compromising the integrity of the CWRS class as it moves through the bulk handling system, non-registered varieties are only eligible for the lowest possible grade for wheat, CW Feed, regardless of their quality profile. The presence of non-registered varieties beyond defined grade tolerances in a CWRS shipment will cause that shipment to be downgraded to the CW Feed grade.

The American System

In the US, on the other hand, the federal government does not maintain a compulsory wheat classification system based on specific end uses. However, minimum standards for wheat are defined in the *US Grain Standards Act*. This legislation is largely concerned with defining minimum thresholds for damaged kernels and foreign materials for a number of grade increments, leaving other quality and agronomic considerations to the discretion of the market and state regulatory authorities.

The US federal government also plays an important role in quality assurance. Four federal USDA-ARS (Agricultural Research Service) Wheat Quality Laboratories evaluate breeding lines for the respective market classes in which they specialize to ensure agronomic and end-product quality characteristics are maintained or improved. Both public and private breeding programs may freely submit samples to these labs for quality evaluation. Despite the voluntary nature of this program, over 95% of all HRS varieties in production in the US have been rigorously evaluated for quality at one of these Laboratories. At the state level, agricultural experimental stations and various state authorities play a role in approving the release of new varieties, and

quality data from various sources are very important to local approval processes.⁶ It is important to note, however, that variety approval processes in the US are not government mandated—a breeder may, if he wishes, release a variety without government consent.

Uncertainty Over Impact of KVD Requirements

Canadian wheat breeders face several requirements that can each have an impact on the yield potential of their lines. Each Western Canadian wheat class has a unique set of agronomic, disease-resistance, and end-use quality standards that must be met or surpassed in monitored breeding trials before a new line will be considered for registration by the CFIA.

Historically, Canada's reputation for high quality wheat has been sustained by legislative initiatives aimed at guaranteeing the excellent milling quality of Canadian HRS wheat. However, there exists a trade-off between quality and quantity in wheat production, as certain quality parameters, such as protein content, are inversely related to yield. Recent improvements in baking technology have lowered the wheat quality standards required for bread production, which has led some to charge that Canada's quality standards are sacrificing too much yield potential.

Further complicating this matter is the potential yield cost of KVD. This 'visual distinguishability' requirement does not exist in the US, Canada's biggest competitor in wheat markets, putting Canadian wheat breeders at a competitive disadvantage (all other factors remaining the same) relative to their American counterparts. The potential cost of KVD is largely one of opportunity. Firstly, Canadian breeders must expend a significant amount of time incorporating this requirement into their lines—time which could otherwise be devoted to improving yield or other performance measures. Secondly, promising lines are occasionally discarded on the basis of their appearance alone. And thirdly, KVD inhibits the adoption of improved lines from the US, since they are not bred for KVD and are therefore typically ineligible for registration in the milling classes of Western Canadian wheat.

² Government of Canada, *Canada Grain Act* (Ottawa: 2002), Article 11.

³ Meristem Land & Science, *Canada in the Big Picture: Wheat Breeding Report* (2004), 22.

⁴ Ibid, 23.

⁵ Ibid, 22.

⁶ Much of this brief overview of the US quality assurance system was provided by Dr. David Garvin, Research Geneticist, USDA-ARS and Coordinator of the HRSWURN nursery program.

The complex relationship between yield, quality, and the environment makes it difficult to isolate the specific yield cost of KVD. According to Dr. Oleson, the lost yield potential in the CWRS class that is attributable to KVD appears to be less than 5%. For other classes of Canadian wheat, however, the cost may be higher. He also notes, "As a rule of thumb, for current CWRS wheat varieties, it is generally accepted that, given time, if the protein were lowered by 1%, all else staying the same, yield could be increased by 10%."⁷

THE HRSWURN PROGRAM AND DATASET

HRSWURN, administered by the USDA, is a cooperative nursery program among public and private sector wheat breeders (including AAFC) that evaluates advanced breeding lines at multiple locations in Canada and the US as illustrated in the attached map. It is a voluntary program that can also be used as a vehicle for germplasm sharing among breeders. The program is coordinated by a research geneticist who is an employee of the USDA-ARS. Advanced lines for testing are chosen by the participating scientists, not the USDA-ARS. It should be noted that there is no intent to compare Canadian and US varieties per se under this nursery program as would be the case under a variety testing program. However, individual breeders may use the data on their promising lines in support of a potential variety release.

Limitations of the Data

The HRSWURN dataset provides a basis for comparing the yields of Canadian and American wheat lines. While it represents an improvement over other more aggregate datasets, some limitations still remain. The current analysis was undertaken to compare promising Canadian and American HRS wheat lines – the ones that are relatively well-tested and are either currently registered or are likely to be approved for production. In such an analysis, the preference is to base statistical tests on a representative sample of the entire population of such lines in Canada and the US, accounting for the full range of diversity within the class of HRS wheats itself, as well as the multitude of efforts from a large cross-section of breeding programs in each country.

Limitation 1: End-Use Class Information Not Available

Unfortunately, the HRSWURN sample does not meet this idealized standard. Most of the wheat lines entered in the HRSWURN

program are in the late stages of the breeding process, and have thus not yet entered the production chain in either country. This fact severely limits the amount of information that can be inferred about each particular entry in the HRSWURN program. In most cases, there is only enough information to determine the wheat line's breeding program, from which its country of origin can be determined. While each HRSWURN entry falls under the broad HRS type, in most cases it is difficult to determine which particular class it would be registered into. In Canada, HRS varieties are sub-divided into three classes: CWRS, Canada Prairie Spring, and Canada Western Extra Strong; while in the US, HRS varieties are sub-divided into three classes as well: Dark Northern Spring, Northern Spring, and Red Spring. While it is reasonable to assume that entries in the HRSWURN program reflect the relative importance of each HRS class to each country, the assumption that the samples from Canada and the US contain a similar composition of higher quality and lower quality HRS lines may not hold. As a result, the statistical analysis cannot rule out the possibility that an observed yield or protein difference between the two countries may simply reflect different marketing considerations. For example, a sample from one country might have lower average yields simply because it contains a higher percentage of high-quality bread wheat, a fact that should be reflected in higher protein levels for that country as well. Consequently, it is difficult to isolate the potential yield cost of KVD with this data. However, given prior research results on the nature of the protein-yield tradeoff, it is plausible to use observed yield and protein differences to infer what part of a yield difference (if any) might be attributable to factors other than protein.

Limitation 2: Limited Canadian Participation

Another limitation of the HRSWURN dataset is that the Canadian sample is not representative of all breeding programs in the country, since AAFC is the only Canadian participant in the program. While in recent years private breeding programs have become more important to the Canadian wheat economy, AAFC varieties still account for roughly 82.5% of all seeded acreage of CWRS (Canada's dominant HRS class) on the prairies.⁸ Therefore, it is important to note that the statistical inferences drawn by this study are based solely on the efforts of AAFC breeding

programs. However, AAFC is still the dominant player in the Canadian HRS market, and thus for practical purposes this sample will continue to be simply referred to as Canadian.

The US sample, on the other hand, contains a diverse mix of public- and private-sector submissions. Publicly-funded US contributors include the University of Minnesota, North Dakota State University, Washington State University, South Dakota State University, Montana State University, and Idaho State University. Among the largest US private-sector HRSWURN participants are Western Plant Breeders, Agripro Wheat, and Trigen Seed. The US sample therefore appears to contain entries from a sufficient cross-section of US breeding programs to constitute a fairly representative sample of all US HRS wheat lines.

DATA ANALYSIS

The entire HRSWURN sample contains a total of 1275 yield and protein observations, 109 of which are from Canadian-made HRS wheat lines, spanning the period from 1995 to 2004 inclusive.⁹ This sample was divided into five sub-samples by research farm, and then further subdivided by country of origin (Canada or US). The summary statistics for the yield and protein content of Canadian and US entries at each location are presented in Tables 1 and 2, respectively.

The summary statistics seem to confirm the conventional wisdom that HRS yields are higher in the US, but that protein content is higher in Canada. The mean yield of US lines is higher at four out of five research farms, while the mean protein content of Canadian lines is higher at four out of five locations. Median yield and protein content show similar patterns. The weighted average yield of Canadian and American lines is 49.73 bu/ac and 51.56 bu/ac, respectively – a difference of 1.83 bu/ac. The weighted average protein content of Canadian and American lines is 15.10% and 14.68%, respectively – a difference of 0.417 percentage points.

In addition, two statistical procedures (the Wilcoxon rank sum and two-sample t-test) were employed to formally test the observed differences at each location for statistical significance. At the 90% confidence level, both of these tests revealed a statistically significant Canadian protein advantage at three out of five locations. However, the Wilcoxon test found a statistically significant US yield advantage at only one location

⁸ Canadian Wheat Board, 2004 *Canadian Wheat Board Variety Survey*, 2004, <http://www.cwb.ca/en/growing/variety_survey/pdf/2004_variety_survey.pdf> (2 July 2005).

⁹ The Williston and Swift Current locations did not report results in some years during this period.

⁷ Oleson, Supporting Analysis: Expert opinion.

**TABLE 1: SUMMARY STATISTICS FOR YIELD OF SELECTED HRSWURN ENTRIES,
BY RESEARCH FARM AND WHEAT LINE'S COUNTRY OF ORIGIN**

	<i>St. Paul, MN</i>		<i>Crookston, MN</i>		<i>Morris, MN</i>		<i>Williston, ND</i>		<i>Swift Current, SK</i>	
	Canada	US	Canada	US	Canada	US	Canada	US	Canada	US
	.....yield (bushels per acre).....									
Mean	48.55	51.06	54.77	54.10	48.47	50.58	48.46	51.83	46.57	49.09
Median	41.90	48.70	52.15	53.45	51.50	51.00	48.40	51.40	41.60	44.50
Standard Deviation	20.08	15.63	19.65	18.65	16.89	16.81	10.30	12.32	14.23	16.76
Minimum	25.80	17.00	17.20	21.00	18.40	19.90	29.10	29.70	26.90	24.90
Maximum	91.60	91.70	88.10	97.70	81.20	92.60	67.30	83.60	76.80	94.80
Sample Size	26	285	26	286	23	257	19	183	15	155

**TABLE 2: SUMMARY STATISTICS FOR PROTEIN CONTENT OF SELECTED HRSWURN ENTRIES,
BY RESEARCH FARM AND WHEAT LINE'S COUNTRY OF ORIGIN**

	<i>St. Paul, MN</i>		<i>Crookston, MN</i>		<i>Morris, MN</i>		<i>Williston, ND</i>		<i>Swift Current, SK</i>	
	Canada	US	Canada	US	Canada	US	Canada	US	Canada	US
	.....protein (%).....									
Mean	15.47	14.91	15.21	14.79	14.48	14.55	16.55	15.78	13.35	12.98
Median	15.95	15.30	15.40	14.80	14.70	14.50	16.20	15.70	13.30	12.50
Standard Deviation	1.58	1.34	1.00	0.85	1.62	1.04	1.37	1.20	2.38	2.12
Minimum	11.60	10.10	13.30	12.50	10.80	11.80	14.90	13.10	8.70	8.60
Maximum	17.40	17.40	16.90	17.80	17.40	17.20	19.40	18.60	16.40	16.60
Sample Size	26	285	26	286	23	257	19	183	15	155

Source: USDA HRSWURN Program, 1995-2004

(St. Paul), and the two-sample t-test could not detect a statistically significant yield difference at any location.

CONCLUSION

While our summary statistics point to a noticeable yield advantage for US HRS wheat lines over their Canadian counterparts, statistical tests suggest that the US advantage is negligible. However, the tests do not permit us to rule out the possibility of a Canada-US yield difference entirely. Our inability to group wheat lines according to end-use class has contributed to large variances in the Canadian and US yield samples, rendering comparisons of average yield differences inconclusive. Further limiting the power of these tests is the large inequality between Canadian and US sample sizes.

The numbers in the summary statistics, themselves, strongly support the expected result of a US yield advantage, as both mean and median US yields are noticeably higher at four out of five locations. Therefore, if a US HRS yield advantage does exist, our best estimate is the difference between the weighted average yields of the two aggregate country samples, which amounts to a 1.83 bu/ac or 3.68% advantage for US lines.

On the other hand, both the summary statistics and the formal tests support the expected result of a Canadian protein advantage. Our best estimate of this advantage is the difference between the weighted average protein levels of the Canadian and US samples, which amounts to 0.417%. Therefore, if the 10% yield for 1% protein tradeoff cited in the Oleson KVD study is correct, then the observed US yield advantage of 3.68% in our sample can likely be fully explained by the 0.417% Canadian protein advantage.

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CANADA: PULSE AND SPECIAL CROPS OUTLOOK

June 28, 2005

For 2005-06, total area seeded to pulse and special crops in Canada decreased by 2%, from 2004-05, as increases for dry peas, lentils, dry beans, sunflower seed and chickpeas were more than offset by decreases for mustard seed, canary seed and buckwheat. Statistics Canada's (STC) seeded area survey, conducted during May 16 - June 3 and released on June 23, provided seeded area estimates for most pulse and special crops by province, but for some of the smaller producing provinces the area seeded has been estimated by AAFC. However, in eastern Manitoba seeding was delayed by wet weather and, therefore, the seeded area might be lower than estimated during the survey. In general, crop development is slightly behind normal due to seeding delays and lower than normal temperatures. Crop abandonment is expected to be higher than normal due to excessive moisture in parts of western Canada. Trend yields are assumed for both western and eastern Canada, as soil moisture reserves are generally good. It is assumed that precipitation will be normal for the growing and harvest periods and that average quality will be normal.

Total production in Canada is forecast to decrease by 9%, from 2004-05, to 4.75 million tonnes (Mt). Total supply is expected to increase by 2% to 5.94 Mt, as higher carry-in stocks more than offset the decrease in production. Exports and domestic use are forecast to increase moderately due to stronger demand. Carry-out stocks are expected to decrease. Average prices, over all types, grades and markets, are forecast to increase for chickpeas, mustard seed and canary seed, decrease for lentils, dry beans and sunflower seed, and be the same for dry peas and buckwheat. However, prices are expected to be sensitive to any production problems. The main factor to watch is precipitation and temperatures during the summer and fall in Canada. Other factors to watch are the exchange rates of the Canadian dollar against the US dollar and other currencies, ocean shipping rates and growing and harvest conditions in major producing regions, especially United States, European Union, Turkey, India and Australia.

DRY PEAS

For 2005-06, production and supply are forecast to decrease as a 2% rise in seeded area is more than offset by lower trend yields. Production is expected to decrease for yellow, green and other types. World supply is expected to be relatively stable at 12.7 Mt, but use is forecast to increase slightly, resulting in lower carry-out stocks. Canadian exports and domestic use are expected to increase slightly due to stronger demand in both food and feed sectors. Carry-out stocks are forecast to decrease, with a s/u of 13%. The average price, over all types, grades and markets, is forecast to be the same as in 2004-05, in line with the relatively stable world supply.

LENTILS

For 2005-06, production is forecast to decrease slightly, as a 10% rise in seeded area is more than offset by lower trend yields. Production is forecast to decrease for large, medium and small green types, but increase for the red type. Supply is expected to increase as higher carry-in stocks more than offset lower production. World supply is forecast to increase by 6% to 4.1 Mt due to higher carry-in stocks. Although world use is expected to increase, carry-out stocks are forecast to rise. Canadian exports are expected to increase due to higher demand. Carry-out stocks are forecast to rise, with a s/u of 33%. The average price, over all types and grades, is forecast to only decrease slightly from 2004-05, as pressure from higher world supply is mostly offset by support from higher average quality.

DRY BEANS

For 2005-06, production and supply are forecast to increase significantly, due to a 20% rise in seeded area, lower abandonment and higher trend yields. Production is

expected to increase for all classes, including white pea, pinto, black, dark and light red kidney, cranberry, Great Northern, small red and pink. US production is forecast to increase by 37% to 1.07 Mt, while supply increases by only 10% to 1.15 Mt due to low carry-in stocks. Canadian exports are forecast to increase due to higher supply. Carry-out stocks are expected to increase, with a s/u of 6%. The average price, over all classes and grades, is forecast to decrease due to the higher supply.

CHICKPEAS

For 2005-06, production and supply are forecast to increase, as a 65% higher seeded area and lower abandonment more than offset lower trend yields. Production is expected to increase mainly for the large kabuli type, with smaller increases for the small kabuli and desi types. World supply is expected to increase marginally to 8.9 Mt. Canadian exports are forecast to increase due to the higher supply. Carry-out stocks are expected to increase, with a s/u ratio of 12%. The average price, over all types, grades and sizes, is forecast to increase due to higher average quality.

MUSTARD SEED

For 2005-06, production and supply are forecast to decrease because of a 31% fall in seeded area and lower trend yields. Production is expected to decrease for all types, yellow, brown and oriental. Exports are forecast to rise due to higher demand and carry-out stocks are forecast to decrease, with a s/u ratio of 63%. The average price, over all types and grades, is expected to increase due to the lower supply.

CANARY SEED

For 2005-06, production and supply are forecast to decrease significantly due to a 43% fall in seeded area. World supply,

90% of which is in Canada, is forecast to decrease by 6% to 380,000 t. Canadian exports are expected to increase due to higher demand and carry-out stocks are forecast to decrease, with a s/u ratio of 55%. The average price is forecast to increase slightly because of the lower supply.

SUNFLOWER SEED

For 2005-06, production and supply are forecast to increase due to a 26% rise in seeded area, lower abandonment and higher trend yields. Production is expected to increase for both types, confectionery and oilseed. US supply is forecast to increase by 49% to 1.63 Mt. World supply is expected to increase by 5% to 28.6 Mt. Canadian exports and domestic use are forecast to increase because of the higher supply. Carry-out stocks are expected to increase, with a s/u of 6%. The average price, over both types and all grades, is forecast to decrease because of the higher supply in US and Canada.

BUCKWHEAT

For 2005-06, Canadian production and supply are forecast to increase, as a lower seeded area is more than offset by lower abandonment and higher trend yields. Exports are forecast to increase and carry-out stocks are expected to be negligible. The average price is forecast to be the same as in 2004-05, in line with a relatively stable world supply.

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CANADA: PULSE AND SPECIAL CROPS SUPPLY AND DISPOSITION

June 28, 2005

Grain and Crop Year (a)	Area		Yield t/ha	Production	Imports (b)	Total Supply	Exports (b)	Total Domestic Use (d)	Carry-out Stocks	Average Price (e) \$/t
	Seeded 000 ha	Harvested								
----- thousand metric tonnes -----										
Dry Peas										
2001-2002	1,344	1,285	1.57	2,023	27	2,245	1,381	589	275	190
2002-2003	1,297	1,050	1.30	1,365	41	1,681	628	743	310	210
2003-2004	1,303	1,271	1.67	2,124	24	2,458	1,316	937	205	175
2004-2005f	1,388	1,345	2.48	3,338	25	3,568	1,900	1,068	600	125-135
2005-2006f	1,410	1,365	2.10	2,870	25	3,495	1,950	1,145	400	115-145
Lentils										
2001-2002	708	664	0.85	566	6	828	478	219	131	320
2002-2003	601	387	0.91	354	9	494	320	119	55	390
2003-2004	554	536	0.97	520	5	580	368	174	38	420
2004-2005f	778	750	1.28	961	7	1,006	530	326	150	305-315
2005-2006f	860	810	1.16	940	5	1,095	570	255	270	290-320
Dry Beans										
2001-2002	184	175	1.70	298	42	390	263	97	30	725
2002-2003	230	219	1.89	414	40	484	297	107	80	445
2003-2004	167	167	2.13	356	31	467	344	83	40	495
2004-2005f	163	126	1.75	220	30	290	223	62	5	650-660
2005-2006f	196	188	1.84	345	30	380	290	70	20	510-540
Chickpeas										
2001-2002	486	467	0.97	455	12	497	146	211	140	380
2002-2003	221	154	1.01	156	9	305	105	140	60	300
2003-2004	63	63	1.08	68	2	130	74	36	20	330
2004-2005f	47	39	1.31	51	5	76	35	36	5	375-385
2005-2006f	77	70	1.14	80	5	90	45	35	10	400-430
Mustard Seed										
2001-2002	166	158	0.66	105	3	213	171	n/a	33	685
2002-2003	289	255	0.60	154	9	196	114	22	60	595
2003-2004	340	328	0.69	226	2	288	121	75	92	390
2004-2005f	317	304	1.00	305	2	399	130	79	190	290-300
2005-2006f	218	209	0.81	170	2	362	145	77	140	310-340
Canary Seed										
2001-2002	170	163	0.70	114	0	184	134	20	30	660
2002-2003	287	227	0.78	176	0	206	164	22	20	575
2003-2004	251	243	0.93	226	0	246	168	n/a	67	345
2004-2005f	356	318	0.94	300	0	367	175	37	155	225-235
2005-2006f	204	194	0.95	185	0	340	180	40	120	225-255
Sunflower Seed										
2001-2002	73	67	1.55	104	29	179	92	65	22	355
2002-2003	100	95	1.65	157	21	200	105	60	35	440
2003-2004	119	115	1.30	150	16	201	96	80	25	405
2004-2005f	87	59	0.92	54	25	104	40	59	5	485-495
2005-2006f	110	102	1.47	150	15	170	85	75	10	370-400
Buckwheat										
2001-2002	16	14	1.14	16	1	17	6	8	3	325
2002-2003	12	12	1.00	12	1	16	6	7	3	340
2003-2004	9	9	1.11	10	1	14	5	7	2	355
2004-2005f	9	7	0.71	5	1	8	3	5	0	350-360
2005-2006f	7	7	1.14	8	1	9	4	5	0	340-370
Total Pulse And Special Crops (c)										
2001-2002	3,131	2,993	1.23	3,681	120	4,553	2,671	1,218	664	
2002-2003	3,025	2,399	1.16	2,788	130	3,582	1,739	1,220	623	
2003-2004	2,797	2,732	1.35	3,680	81	4,384	2,492	1,403	489	
2004-2005f	3,136	2,948	1.78	5,234	95	5,818	3,036	1,672	1,110	
2005-2006f	3,082	2,945	1.61	4,748	83	5,941	3,269	1,702	970	

(a) August-July crop year.

(b) Excludes products.

(c) Includes Pulse Crops (dry peas, lentils, dry beans, chick peas) and Special Crops (mustard seed, canary seed, sunflower seed, buckwheat)

(d) Includes food, feed, seed, waste and dockage.

(e) Producer price, FOB plant. Average over all types, grades and markets.

f: forecast, Agriculture and Agri-Food Canada, June 28, 2005

n/a Total domestic use is calculated residually. Based on current data on exports and carry-out stocks, it appears that Statistics Canada's production estimate may be low or carry-out stocks high resulting in a very low residual.

Source: Statistics Canada and industry consultations.



CANADA: GRAINS AND OILSEEDS OUTLOOK

June 28, 2005

Statistics Canada (STC) estimates that Canadian farmers seeded about 26 million hectares (mln ha) of grains and oilseeds in the spring of 2005, unchanged from the previous year. Area has shifted from non-durum wheat, barley, corn, soybeans and summerfallow into durum, oats, flaxseed and canola. Based on these STC estimates, Agriculture and Agri-Food Canada (AAFC) forecasts that total production of grains and oilseeds in Canada in 2005 will decline by 5% from 2004, to 60 million tonnes (Mt). Western Canadian production is forecast at 45.7 Mt, down 5%. The decline is due to expectations of lower yields compared to the above-normal levels achieved for most crops in 2004, as well as increased levels of abandonment in parts of western Canada due to excess moisture. Trend yields and normal crop quality have been assumed for both western and eastern Canada. In parts of the Prairies, seeding was not completed due to wet conditions, with an estimated 0.6 to 0.8 mln ha (2-3%) not seeded. As the STC survey was completed by June 3, at which time most farmers would have expected to complete seeding all intended area, the STC seeded area estimate may be high, and could be reduced in the STC August 26 production estimate. Precipitation since April 1 has been average to well-above average across western Canada.

Despite lower production, total grain and oilseed supplies for 2005-06 are expected to rise by 2% due to larger carry-in stocks. Total Canadian exports of grains and oilseeds are forecast to increase by 10%, due to higher supply and better quality, particularly for wheat and canola. Canadian prices for all grains and oilseeds will remain pressured by lower world prices and the relatively strong Canadian dollar, although the oilseed price outlook has strengthened since last month. Factors to watch are: Chinese import demand, growing conditions in the major grain trading regions, EU grain export subsidy levels, ocean freight rates and the Canada/US exchange rate.

WHEAT (ex-durum)

For 2005-06, production is forecast to fall by 9% due to lower seeded area, increased abandonment and a return to lower trend yields. This, however, will be largely offset by higher carry-in stocks, with supply expected to decline by only 4%. The carry-in stocks are expected to largely consist of low quality wheat due to the poor quality of the 2004 crop, so that wheat feeding in 2005-06 is expected to remain historically high. Assuming normal weather this summer, the 2005 crop quality should return to normal, increasing supplies of high quality wheat. As a result, exports are forecast to rise by 1 Mt, with carry-out stocks expected to fall by about 19%. The Canadian Wheat Board (CWB) June Pool Return Outlook (PRO) for No.1 CWRS wheat was raised slightly from May, but remains lower than for 2004-05, due to expected higher supply, with projected returns for lower quality wheat unchanged to slightly higher than last year.

DURUM

Production is forecast to decline by 3%, with increased area more than offset by lower yields and higher abandonment. Total supply is forecast to rise by 10%, however, due to a 48% increase in carry-in stocks to a record 2.65 Mt. Exports are expected to rise by 9% due to larger supplies of high quality durum and increased export demand resulting from dryness in the Mediterranean region. However, carry-out stocks are projected to increase by a further 17%, to 3.1 Mt. The CWB PRO for 2005-06 is up slightly from last month, but remains below 2004-05, largely due to the increased supply in North America.

BARLEY

Production is forecast to decrease by 7% due to lower seeded area and yields. Total supply, however, is projected to increase slightly, due to higher carry-in stocks resulting from the large production of low-quality barley in 2004-05. Exports are

expected to increase by 25%, due to higher supplies of malting quality barley and less competition in overseas feed markets. Carry-out stocks are expected to decrease by 16%. The average off-Board price of feed barley is forecast to be the same as 2004-05. Malting barley prices will be pressured by higher world production, with the CWB PRO for Special Select 2-row down by \$6/t from 2004-05 to \$174/t.

OATS

Production is expected to decline by 3%, as lower yields more than offset higher area. Total supply, however, is expected to rise by 4% as higher carry-in stocks more than offset the lower production. Carry-in stocks are forecast to rise due to below-normal exports in 2004-05 related to the poor quality of the crop and the weakness in US demand. Exports are forecast to rise by 0.2 Mt due to larger supplies and improved crop quality. Carry-out stocks are expected to return to a near-normal level. Oat prices are forecast to decline, with a smaller premium for milling oats.

CORN

Production is expected to decline by 5% due to lower seeded area and yields. This is expected to be partly offset by a 13% increase in imports, following lower corn production in eastern Canada and lower feed wheat and barley production in western Canada. Food and industrial use is forecast to rise, due to increased ethanol production. Prices are expected to remain pressured by low US corn prices.

CANOLA

Production is forecast to decline slightly, with a 9% rise in harvested area more than offset by lower yields. Total supply is forecast to rise sharply, to the 3rd highest level on record, because of burdensome carry-in stocks. Domestic crush and exports for 2004-05 remain pressured by sharply higher world oilseed supply. In 2005-06, domestic crush and exports are forecast to increase slightly but will remain

pressured by large world soybean and palm oil supplies. Carry-out stocks are projected to rise to slightly under the record high set in 1999-00. Prices are projected to increase slightly due to higher world soybean and soyoil prices.

FLAXSEED (excluding solin)

Production is forecast to rise sharply due to a 19% rise in seeded area, lower abandonment and higher yields. Total supply is expected to rise at a slower pace as low carry-in stocks moderate the higher output. Exports are projected to return to near normal levels as a result of increased supplies, stable EU and US demand, high crude oil prices and lower flaxseed prices. Total domestic use is forecast to rise to normal in 2005-06. Carry-out stocks are forecast to double but are not expected to be burdensome. Prices are forecast to decline to historically normal levels.

SOYBEANS

Production is forecast to decline slightly as a rise in projected harvested area is offset by lower yields. Supplies are expected to rise to a record 3.7 Mt as higher carry-in stocks more than offset the drop in output and imports. Domestic crush is forecast to increase on support from stronger crush margins while exports are expected to maintain the record pace of 1.0 Mt. Carry-out stocks are projected to fall, but remain historically high. Prices are forecast to rise slightly due to higher US prices.

FURTHER INFORMATION:

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CANADA: GRAINS AND OILSEEDS SUPPLY AND DISPOSITION

June 28, 2005

Grain and Crop (a)	Area		Yield t/ha	Production	Imports	Total	Exports	Food and	Feed, Waste	Total Dom-	Carry-out	Average
	Seeded	Harvested			(b)	Supply	(c.)	Ind. Use (e)	& Dockage	estic Use	Stocks	Price (f) \$/t
	-----	000 ha-----										
----- thousand metric tonnes-----												
Durum												
2003-2004	2,483	2,459	1.74	4,280	1	5,900	3,427	252	220	684	1,788	224.21
2004-2005f	2,230	2,141	2.32	4,962	1	6,751	3,200	255	426	901	2,650	202 *
2005-2006f	2,280	2,175	2.21	4,800	1	7,451	3,500	260	391	851	3,100	195 **
Wheat Except Durum												
2003-2004	8,179	8,009	2.41	19,272	16	23,395	12,300	2,775	3,222	6,804	4,292	206.03
2004-2005f	8,111	7,722	2.71	20,898	11	25,201	11,650	2,770	4,691	8,251	5,300	186 *
2005-2006f	7,943	7,475	2.54	19,000	10	24,310	12,700	2,800	3,700	7,310	4,300	184 **
All Wheat												
2003-2004	10,662	10,467	2.25	23,552	18	29,295	15,727	3,027	3,442	7,488	6,080	
2004-2005f	10,340	9,862	2.62	25,860	12	31,953	14,850	3,025	5,117	9,153	7,950	
2005-2006f	10,223	9,650	2.47	23,800	11	31,761	16,200	3,060	4,091	8,161	7,400	
Barley												
2003-2004	5,046	4,446	2.77	12,328	36	13,838	2,445	298	8,579	9,291	2,102	135.80
2004-2005f	4,678	4,050	3.26	13,186	100	15,388	2,000	300	9,553	10,288	3,100	105-115
2005-2006f	4,580	3,990	3.09	12,320	30	15,450	2,500	380	9,565	10,350	2,600	100-120
Corn												
2003-2004	1,265	1,226	7.82	9,587	2,108	12,805	346	2,415	8,890	11,317	1,143	137.18
2004-2005f	1,185	1,072	8.24	8,836	2,400	12,378	150	2,650	8,463	11,128	1,100	95-105
2005-2006f	1,121	1,090	7.71	8,400	2,700	12,200	150	2,700	8,435	11,150	900	90-110
Oats												
2003-2004	2,272	1,575	2.34	3,691	19	4,234	1,557	140	1,581	1,888	788	136.65
2004-2005f	1,995	1,315	2.80	3,683	25	4,496	1,500	130	1,574	1,896	1,100	125-135
2005-2006f	2,019	1,395	2.55	3,560	15	4,675	1,700	170	1,710	2,075	900	110-130
Rye												
2003-2004	246	147	2.22	327	0	357	171	47	60	125	60	104.44
2004-2005f	284	165	2.53	418	1	479	230	48	109	174	75	70-80
2005-2006f	228	150	2.17	325	1	401	160	48	116	181	60	65-85
Mixed Grains												
2003-2004	241	135	2.84	384	0	384	0	0	384	384	0	
2004-2005f	220	111	2.87	318	0	318	0	0	318	318	0	
2005-2006f	215	120	2.83	340	0	340	0	0	340	340	0	
Total Coarse Grains												
2003-2004	9,070	7,529	3.50	26,317	2,162	31,618	4,519	2,899	19,495	23,006	4,093	
2004-2005f	8,362	6,713	3.94	26,441	2,526	33,060	3,880	3,128	20,018	23,805	5,375	
2005-2006f	8,163	6,745	3.70	24,945	2,746	33,066	4,510	3,298	20,166	24,096	4,460	
Canola												
2003-2004	4,736	4,689	1.44	6,771	243	7,908	3,754	3,390 ¹	113	3,545	609	387.04
2004-2005f	5,319	4,938	1.57	7,728	150	8,487	3,300	3,000 ¹	417	3,462	1,725	300-320
2005-2006f	5,593	5,370	1.40	7,500	150	9,375	3,500	3,200 ¹	530	3,775	2,100	300-340
Flaxseed												
2003-2004	745	728	1.04	754	20	903	609	n/a	n/a	202	93	382.13
2004-2005f	728	528	.98	517	40	650	450	n/a	n/a	140	60	475-525
2005-2006f	868	830	1.20	1,000	20	1,080	700	n/a	n/a	255	125	320-360
Soybeans												
2003-2004	1,051	1,047	2.17	2,268	587	3,000	914	1,500 ¹	319	1,947	140	395.04
2004-2005f	1,229	1,178	2.59	3,048	450	3,638	1,000	1,500 ¹	488	2,113	525	225-265
2005-2006f	1,207	1,200	2.46	2,950	250	3,725	1,000	1,750 ¹	465	2,325	400	240-280
Total Oilseeds												
2003-2004	6,531	6,464	1.52	9,794	850	11,811	5,277	n/a	n/a	5,693	841	
2004-2005f	7,277	6,643	1.70	11,293	640	12,774	4,750	n/a	n/a	5,715	2,310	
2005-2006f	7,668	7,400	1.55	11,450	420	14,180	5,200	n/a	n/a	6,355	2,625	
Total Grains And Oilseeds												
2003-2004	26,263	24,461	2.44	59,663	3,029	72,724	25,523	n/a	n/a	36,187	11,014	
2004-2005f	26,038	23,219	2.74	63,595	3,178	77,787	23,480	n/a	n/a	38,672	15,635	
2005-2006f	26,053	23,795	2.53	60,195	3,177	79,007	25,910	n/a	n/a	38,612	14,485	

(a) August - July crop year except corn and soybeans which are September - August.

(b) Excludes imports of products.

(c) Includes exports of products for wheat, oats, barley, and rye. Excludes exports of oilseed products.

(d) Total = F&I + FWD + Seed Use

(e) Industrial use excludes flaxseed due to data confidentiality.

(f) Crop year average prices: No. 1 CWRS 11.5% protein and No. 1 CWAD 11.5% (CWB final price I/S St. Lawrence/Vancouver), Barley (No. 1 feed, WCE, cash, I/S Lethbridge), Corn (No. 2 CE, cash, I/S Chatham), Oats (US No. 2 Heavy, CBoT nearby futures); Rye (No. 2 Canada, Elevator bids at select western delivery points); Canola (No. 1 Canada, WCE, cash, I/S Vancouver); Flaxseed (No. 1 CW, WCE, cash, I/S Thunder Bay); Soybeans (No. 2, I/S Chatham).

* CWB Pool Return Outlook (PRO) - May 26, 2005

** CWB PRO - June 23, 2005

^{1/} Source for Food and Industrial Use is based on data from the Canadian Oilseed Processors Association.

f: forecast - Agriculture and Agri-Food Canada - June 28, 2005

Source: Statistics Canada, Cereals and Oilseeds Review Series, Cat. No. 22-007

A. SELLING PRICE OF BULK FEED INGREDIENTS AT SELECTED POINTS																			June 27, 2005					
SELECTED POINT	REFERENCE PERIOD	PRICE BASIS	(1)	WHEAT	OATS	BARLEY	CORN	PRICE BASIS	SOYBEAN MEAL	CANOLA MEAL	MILL-FEEDS	MEAT MEAL	FISH MEAL	ANIMAL FAT	GLUTEN MEAL	GLUTEN FEED	FEED PEAS	DEHY ALFALFA	FEATHER MEAL					
Vancouver (4) (7)	June 27, 2005	FOB		130.00	N/A	132.00	147.00		346.50	208.00	100.00		850.00	500.00						385.00				
BC	June 20, 2005			130.00	N/A	132.00	149.00		340.50	201.00	103.00		850.00	520.00						375.00				
Calgary (4)	June 27, 2005	FOB		110.00	N/A	114.00	145.00		349.50			115.00	975.00	535.00						360.00				
AB	June 20, 2005			110.00	N/A	114.00	140.00		332.25				975.00	555.00						350.00				
Saskatoon (4)	June 27, 2005	FOB		92.00	136.00	91.00	138.00		351.00	N/A		130.00	N/A	535.00			130.00			400.00				
SK	June 20, 2005			89.50	130.00	89.00	130.00		333.75	N/A		130.00	N/A	555.00			131.67			390.00				
Winnipeg (4) (9)	June 27, 2005	FOB		132.50	140.00	110.50	118.00		332.00	N/A		290.00	995.00	525.00						340.00				
MB	June 20, 2005			131.00	140.00	108.50	114.00		312.25	N/A		290.00	987.50	525.00						340.00				
Thunder Bay (8)	June 27, 2005	In-Store		110.50	N/A	109.25																		
ON	June 20, 2005			108.00	N/A	105.25																		
Lake Ports	June 27, 2005	On Board					113.06																	
USA (3)	June 20, 2005	Vessel					102.30																	
Bay Ports	June 27, 2005	In-Store		140.00	205.00	118.00																		
ON	June 20, 2005			139.00	205.00	138.00																		
Chatham	June 27, 2005	Track					114.92																	
ON	June 20, 2005						110.17																	
Toronto (5)	June 27, 2005	N/A						FOB				182.00	N/A	440.00	425.00	114.00		270.00		380.00				
ON	June 20, 2005											182.00	N/A	430.00	425.00	114.00		270.00		360.00				
Hamilton	June 27, 2005	N/A							255.81	#N/A														
ON	June 20, 2005								233.97	#N/A														
Eastern	June 27, 2005	FOB					112.50																	
ON	June 20, 2005						106.00																	
London	June 27, 2005	FOB													425.00	114.00								
ON	June 20, 2005														425.00	114.00								
Port Colborne	June 27, 2005	FOB													425.00	114.00								
ON	June 20, 2005														425.00	114.00								
Cardinal	June 27, 2005	FOB													425.00	114.00								
ON	June 20, 2005														425.00	114.00								
Montreal	June 27, 2005			137.00	150.00	139.00	115.00		321.37	238.30	56.67	240.00	850.00	457.50	425.00	114.00		270.00		380.00				
QC (5)	June 20, 2005			137.00	150.00	139.00	115.00	FOB	296.82	217.60	53.33	235.00	850.00	457.50	425.00	114.00		270.00		370.00				
Trois-Rivières	June 27, 2005	In-Store		155.00		153.50	141.33																	
QC	June 20, 2005			143.50		145.00	131.88																	
St. Jean QC (2)	June 27, 2005	FOB		143.03	118.16	136.46	113.14		314.70															
St. Hyacinthe QC	June 20, 2005			142.21	120.11	138.98	110.89		303.28															
Quebec	June 27, 2005	In-Store		139.67	N/A	156.28	138.29		343.55	230.40														
QC	June 20, 2005			137.50	N/A	154.97	128.67		316.81	230.40														
Truro	June 27, 2005	Track		177.67	N/A	170.40	162.20		376.73	281.46		237.05		505.00						380.00				
NS	June 20, 2005			173.18		167.30	159.08	FOB	360.79	262.28		237.05		505.00						310.00				
Truro	June 27, 2005	Water		N/A	N/A	N/A	N/A																	
NS	June 20, 2005	& Truck		N/A	N/A	N/A	N/A																	
Halifax	June 27, 2005	In-Store		N/A	N/A	N/A	n/a		388.20		297.50		1,100.00	N/A										
NS (6)	June 20, 2005			N/A	N/A	N/A	n/a		374.60		297.50		1,100.00	N/A										

Source: Market Analysis Division, Agriculture and Agri-Food Canada; Thunder Bay prices are based on the Winnipeg Commodity Exchange (WCE) market close
 Contact: Valérie Chartier A/Statistical Clerk Telephone: (204) 983-0581 Fax: (204) 983-5524 Email: chartier@agr.gc.ca
 US\$1.00=CANSI.2326, closing date June 24, 2005
 N/A = not available

Footnotes: All prices in Canadian dollars per metric tonne based on survey respondents.
 Grain grades (unless otherwise specified) are: Western or Eastern Feed Wheat, Feed Oats, No.1 Canada Western or Eastern Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn
 Soybean Meal 48 % Protein. Canola Meal based on minimum standard of 35% Protein. Fish Meal: white fish and/or herring meal. Gluten Meal 60% Protein. Gluten Feed 21% Protein.

(1) Wheat 3CWRS (2) Canadian Corn #3 or #2 (3) US Corn (4) Fish Meal from West Coast 65% Protein (5) Fish Meal 60% Protein (6) Herring Fish Meal (7) Fraser Valley (8) Wheat & Barley (Basis - Cash Price WCE) (9) Oats 3CW

B. CASH PRICES AND REPLACEMENT VALUES

June 27, 2005

PRAIRIE GRAINS

Selected Points	Price Basis		This week 27-Jun-05	Last week 13-Jun-05	Month ago 30-May-05	Year ago 28-Jun-04
From: Thunder Bay(WCE) (2)	In-Store	Wheat	109.00	107.00	107.00	195.00
(CBOT)		Oat	155.25	142.75	135.25	145.60
(Lethbridge)		Barley	115.00	114.00	114.00	150.00
To: Bayport, ON (1)	In-store	Wheat	132.61	130.61	130.61	218.61
		Oat	N/A	N/A	N/A	N/A
		Barley	142.39	141.39	141.39	177.39
Montreal, QC (1)	In-store	Wheat	137.03	135.03	135.03	223.03
		Oat	N/A	N/A	N/A	N/A
		Barley	147.31	146.31	146.31	182.31
Moncton, NB	Truck via Halifax	Wheat	159.25	157.25	157.25	245.25
		Oat	N/A	N/A	N/A	N/A
		Barley	171.50	170.50	170.50	206.50
Truro, NS	Truck via Halifax	Wheat	153.22	151.22	151.22	239.22
		Oat	N/A	N/A	N/A	N/A
		Barley	169.00	168.00	168.00	204.00
Halifax, NS (1)	In-store	Wheat	144.28	142.28	142.28	230.28
		Oat	N/A	N/A	N/A	N/A
		Barley	155.30	154.30	154.30	190.30
Stephenville, NL	Track / Truck via Sydney	Wheat	207.63	205.63	205.63	293.63
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A
Melfort, SK		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Bayport, ON		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Montreal, QC		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Moncton, NB		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Truro, NS		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track / Truck via Sydney	Barley	N/A	N/A	N/A	N/A
Stephenville, NL		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A

Selected Points	Price Basis		This week 27-Jun-05	Last week 13-Jun-05	Last week 30-May-05	Year ago 28-Jun-04
Corn						
From: US Lake Port	On Board Vessel		113.06	102.30	109.11	153.02
To: Montreal, QC (1)	In-store		132.10	121.34	128.15	172.06
From: Chicago (IL)	Track		114.88	105.25	111.10	150.37
To: Montreal, QC	Track		143.74	134.11	139.95	179.23
From: Chatham, ON	Track		114.92	110.17	114.75	162.75
To: Montreal, QC	Track		138.79	134.04	138.62	186.62

Soymeal 48% Protein

From: Hamilton, ON			255.81	233.97	230.88	515.88
To: Montreal, QC	Track		280.14	258.30	255.21	540.21
Moncton, NB	Track		298.89	277.05	273.96	558.96
Truro, NS	Track		302.11	280.27	277.18	562.18
Stephenville, NL	Track / Truck via Sydney		350.74	328.90	325.81	610.81

1. Prices include ONE month of storage and interest charges n/a = not available

2. Thunder Bay prices are based on the Winnipeg Commodities Exchange market close (Cash price)

Source: Market Analysis Division, Agriculture and Agri-Food Canada

Contact: Valérie Chartier: A/Statistical Clerk (204) 983-0581 Fax: (204) 983-5524 e-mail: chartierv@agr.gc.ca

Footnotes: All prices quoted in Canadian dollars per metric tonne.

Grain grades (unless otherwise specified) are: Canada Western Feed Wheat, Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn.

Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec.

Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable

A. SELLING PRICE OF BULK FEED INGREDIENTS AT SELECTED POINTS																			July 11, 2005			
SELECTED POINT	REFERENCE PERIOD	PRICE BASIS	(1) WHEAT	OATS	BARLEY	CORN	PRICE BASIS	SOYBEAN MEAL	CANOLA MEAL	MILL-FEEDS	MEAT MEAL	FISH MEAL	ANIMAL FAT	GLUTEN MEAL	GLUTEN FEED	FEED PEAS	DEHY ALFALFA	FEATHER MEAL				
Vancouver	July 11, 2005	FOB	135.00	N/A	132.00	147.00		333.00	208.00	100.00		850.00	490.00					395.00				
BC (4) (7)	July 4, 2005		135.00	N/A	132.00	147.00		346.50	208.00	100.00		850.00	490.00					385.00				
Calgary	July 11, 2005	FOB	110.00	N/A	113.00	142.00		331.50			115.00	975.00	525.00					370.00				
AB (4)	July 4, 2005		110.00	N/A	113.00	145.00		345.00			115.00	975.00	535.00					360.00				
Saskatoon	July 11, 2005	FOB	92.00	136.00	91.00	133.00		335.00	N/A		120.00	N/A	525.00			129.33		410.00				
SK (4)	July 4, 2005		92.00	136.00	91.00	138.00		348.50	N/A		130.00	N/A	535.00			129.33		400.00				
Winnipeg	July 11, 2005	FOB	133.00	140.00	109.50	118.00		316.00	N/A		290.00	997.50	525.00					340.00				
MB (4) (9)	July 4, 2005		132.50	140.00	109.00	118.00		329.50	N/A		290.00	997.50	525.00					340.00				
Thunder Bay	July 11, 2005	In-Store	111.00	N/A	109.00																	
ON (8)	July 4, 2005		111.00	N/A	106.00																	
Lake Ports	July 11, 2005	On Board				113.18																
USA (3)	July 4, 2005	Vessel				n/a																
Bay Ports	July 11, 2005	In-Store	140.00	205.00	118.00																	
ON	July 4, 2005		140.00	205.00	118.00																	
Chatham	July 11, 2005	Track				115.43																
ON	July 4, 2005					108.20																
Toronto	July 11, 2005	N/A					FOB															
ON (5)	July 4, 2005										182.00	N/A	440.00	425.00	114.00		270.00	395.00				
Hamilton	July 11, 2005	N/A						233.14	#N/A		182.00	N/A	440.00	425.00	114.00		270.00	385.00				
ON	July 4, 2005							231.84	#N/A													
Eastern	July 11, 2005	FOB				110.00																
ON	July 4, 2005					108.00																
London	July 11, 2005	FOB																				
ON	July 4, 2005													425.00	114.00							
Port Colborne	July 11, 2005	FOB												425.00	114.00							
ON	July 4, 2005									40.00				425.00	114.00							
Cardinal	July 11, 2005	FOB								40.00				425.00	114.00							
ON	July 4, 2005													425.00	114.00							
Montreal	July 11, 2005		141.00	150.00	140.50	115.00		295.31	217.55	54.00	245.00	850.00	452.00	425.00	114.00		270.00	380.00				
QC (5)	July 4, 2005		139.00	150.00	139.00	118.00	FOB	294.40	215.55	56.67	245.00	850.00	452.00	425.00	114.00		270.00	380.00				
Trois-Rivières	July 11, 2005	In-Store	155.00		149.40	138.67																
QC	July 4, 2005		151.00		147.10	131.29																
St. Jean QC (2)	July 11, 2005	FOB	147.00	118.24	126.26	113.74		299.33														
St. Hyacinthe QC	July 4, 2005		143.69	118.18	123.81	110.80		299.33														
Quebec	July 11, 2005	In-Store	145.67	N/A	160.74	135.28		314.08	219.93													
QC	July 4, 2005		141.00	N/A	156.85	131.49		314.40	223.40													
Truro	July 11, 2005	Track	174.65		170.40	162.07		368.05	281.46		237.05		505.00					380.00				
NS	July 4, 2005		153.15		170.40	158.72	FOB	354.72	281.46		237.05		505.00					380.00				
Truro	July 11, 2005	Water		N/A	N/A	N/A																
NS	July 4, 2005	& Truck	N/A	N/A	N/A	N/A																
Halifax	July 11, 2005	In-Store	N/A	N/A	N/A	N/A		356.00		297.50		1,100.00	N/A									
NS (6)	July 4, 2005		N/A	N/A	N/A	N/A		361.00		297.50		1,100.00	N/A									
Source: Market Analysis Division, Agriculture and Agri-Food Canada; Thunder Bay prices are based on the Winnipeg Commodity Exchange (WCE) market close Contact: Valérie Chartier A/Statistical Clerk Telephone: (204) 983-6581 Fax: (204) 983-5524 Email: chartierv@agr.gc.ca																						
US\$1.00=CANS1.2208, closing date July 8, 2005 N/A = not available																						
Footnotes: All prices in Canadian dollars per metric tonne based on survey respondents. Grain grades (unless otherwise specified) are: Western or Eastern Feed Wheat, Feed Oats, No 1 Canada Western or Eastern Barley, No 2 Canada Yellow Corn, No 3 US Yellow Corn Soybean Meal 48 % Protein. Canola Meal based on minimum standard of 35% Protein. Fish Meal: white fish and/or herring meal. Gluten Meal 60% Protein. Gluten Feed 21% Protein.																						
(1) Wheat 3CWRS (2) Canadian Corn #3 or #2 (3) US Corn (4) Fish Meal from West Coast 63% Protein (5) Fish Meal 60% Protein (6) Herring Fish Meal (7) Fraser Valley (8) Wheat & Barley (Basis - Cash/Price WCE) (9) Oats 3CW																						

Source: Market Analysis Division, Agriculture and Agri-Food Canada; Thunder Bay prices are based on the Winnipeg Commodity Exchange (WCE) market close
 Contact: Valérie Charlier A/Statistical Clerk Telephone: (204) 983-0581 Fax: (204) 983-5524 Email: charlierv@agr.gc.ca
 N/A = not available

Footnotes: All prices in Canadian dollars per metric tonne based on survey respondents
 Grain grades (unless otherwise specified) are: Western or Eastern Feed Wheat, Feed Oats, No.1 Canada Western or Eastern Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn.
 Soybean Meal 48% Protein. Canola Meal based on minimum standard of 35% Protein. Fish Meal: white fish and/or herring meal. Gluten Meal 60% Protein. Gluten Feed 21% Protein.
 (1) Wheat 3CWRS (2) Canadian Corn #3 or #2 (3) US Corn (4) Fish Meal from West Coast 63% Protein (5) Fish Meal 60% Protein (6) Herring Fish Meal (7) Fraser Valley (8) Wheat & Barley (Basis - Cash Price WCE) (9) Oats 3CW

B. CASH PRICES AND REPLACEMENT VALUES

July 11, 2005

PRAIRIE GRAINS

Selected Points	Price Basis		This week 11-Jul-05	Last week 27-Jun-05	Month ago 13-Jun-05	Year ago 28-Jun-04
From: Thunder Bay(WCE) (2)	In-Store	Wheat	109.00	109.00	107.00	195.00
(CBOT)		Oat	169.00	155.25	142.75	145.60
(Lethbridge)		Barley	112.50	115.00	114.00	150.00
To: Bayport, ON (1)	In-store	Wheat	132.61	132.61	130.61	218.61
		Oat	N/A	N/A	N/A	N/A
		Barley	139.89	142.39	141.39	177.39
Montreal, QC (1)	In-store	Wheat	137.03	137.03	135.03	223.03
		Oat	N/A	N/A	N/A	N/A
		Barley	144.81	147.31	146.31	182.31
Moncton, NB	Truck via Halifax	Wheat	159.25	159.25	157.25	245.25
		Oat	N/A	N/A	N/A	N/A
		Barley	169.00	171.50	170.50	206.50
Truro, NS	Truck via Halifax	Wheat	153.22	153.22	151.22	239.22
		Oat	N/A	N/A	N/A	N/A
		Barley	166.50	169.00	168.00	204.00
Halifax, NS (1)	In-store	Wheat	144.28	144.28	142.28	230.28
		Oat	N/A	N/A	N/A	N/A
		Barley	152.80	155.30	154.30	190.30
Stephenville, NL	Track / Truck via Sydney	Wheat	207.63	207.63	205.63	293.63
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A
Melfort, SK		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Bayport, ON		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Montreal, QC		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Moncton, NB		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Truro, NS		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track / Truck via Sydney	Barley	N/A	N/A	N/A	N/A
Stephenville, NL		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A

Selected Points	Price Basis		This week 11-Jul-05	Last week 27-Jun-05	Last week 13-Jun-05	Year ago 28-Jun-04
Corn						
From: US Lake Port	On Board Vessel		112.10	n/a	102.30	153.02
To: Montreal, QC (1)	In-store		131.14	n/a	121.34	172.06
From: Chicago (IL)	Track		110.66	110.66	105.25	150.37
To: Montreal, QC	Track		139.52	139.52	134.11	179.23
From: Chatham, ON	Track		111.99	111.99	110.17	162.75
To: Montreal, QC	Track		135.86	135.86	134.04	186.62
Soymeal 48% Protein						
From: Hamilton, ON			233.14	233.14	233.97	515.88
To: Montreal, QC	Track		257.47	257.47	258.30	540.21
Moncton, NB	Track		276.22	276.22	277.05	558.96
Truro, NS	Track		279.44	279.44	280.27	562.18
Stephenville, NL	Track / Truck via Sydney		328.07	328.07	328.90	610.81

1. Prices include ONE month of storage and interest charges n/a = not available

2. Thunder Bay prices are based on the Winnipeg Commodities Exchange market close (Cash price)

Source: Market Analysis Division, Agriculture and Agri-Food Canada

Contact: Valérie Chartier: A/Statistical Clerk (204) 983-0581 Fax: (204) 983-5524 e-mail: chartierv@agr.gc.ca

Footnotes: All prices quoted in Canadian dollars per metric tonne.

Grain grades (unless otherwise specified) are: Canada Western Feed Wheat, Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn.

Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec.

Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable



Bi-weekly Bulletin

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UKRAINE

Ukraine is one of the major grains and oilseeds producers in the world. As such, Ukraine has the potential to affect the markets for agricultural commodities as it did in 2001 and 2002 when world wheat prices were unexpectedly pressured by a substantial amount of low priced wheat from Ukraine. Since then, commodity traders have been careful not to overlook the potential for a similar occurrence when formulating their price forecasts. This issue of the *Bi-weekly Bulletin* looks at the situation and outlook for Ukraine's grains and oilseeds sector, and examines the implications for Canada's grains and oilseeds sector.

BACKGROUND

Economy

Ukraine is well positioned in terms of its endowment of natural resources and the potential for exploiting those resources. Specifically, it is the rich farmlands that characterize its steppe that have long been considered the "breadbasket" of Eastern Europe, producing much of the wheat, corn, barley, rye, and sunflowers grown in the region.

Ukraine also holds large reserves of minerals and important sources of power for its well-developed industrial base. Some of the best known products of its industrial sector include machinery, steel, rolled metal, farm equipment, building materials, fertilizers, and other agricultural chemicals. Western Ukraine is largely agricultural, but it has significant oil reserves in the areas around Drohobych and Boryslav, natural gas near Dashava, and coal deposits in the area near Novonolynsk. To accommodate some of Ukraine's transportation needs, Odesa is the primary port located on the Black Sea for receiving and dispatching marine shipments.

The collapse of the Soviet Union in 1991 was largely responsible for the dramatic and catastrophic decrease in Ukraine's economic well-being during the 1990s. Between 1990 and 1999, Ukraine's Gross Domestic Product (GDP) fell by about 60%, with the largest annual decrease occurring in 1994 when GDP fell by about 23%. The first evidence of economic recovery appeared in 2000, and the Ukrainian economy has since experienced several consecutive years of positive growth, with GDP growth peaking at a record 12% in 2004. The improvement in Ukraine's economic performance is largely attributed to the ability of Ukrainian

enterprises to adapt to the realities and demands of a market economy.

However, Ukraine's economic performance ranks well below that of other central European countries. In 2003, Ukraine's real per capita GDP was estimated at US\$5,200; half of that in neighboring Poland and well below that in Russia, Turkey and Kazakhstan. Ukraine's low level of per capita GDP is suspected of being at least partially offset by the existence of a significant "unofficial" economy.

Ukraine's exports contribute to about 40% of its economic activity, which is incidentally similar to the situation in Canada. Although there is some vulnerability associated with Ukraine's dependence on foreign markets, as in Canada, the possibilities for growth are virtually limitless.

Agriculture

Traditional industrial activity continues to contribute to Ukraine's economy, but it is agriculture that has performed particularly well in recent years. For 2004, the growth in the agricultural sector is estimated at 20%, exceeding the growth in the construction sector of 18%.

There are some restrictions to Ukraine's ability to realize economic and financial efficiency for its agricultural sector. For instance, the number of functioning tractors, combines, and field implements continues to fall short of what is required. Furthermore, artificially depressed prices for farm commodities, a product of government policy, have resulted in increased farmer debt loads and this has made it difficult for many farmers to purchase the equipment they need for production efficiency.

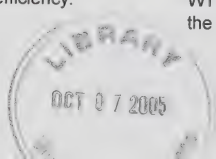
A longer-term consequence of persistently low prices is that much of the land currently held by small farmers could fall under the ownership of large scale operators as small farmers are forced to sell off their land to pay down debt. The ban on buying and selling land is scheduled to be lifted in 2005.

There is also a concern that, should Ukraine be successful in gaining membership to the World Trade Organization (WTO), it might not reap nearly the full benefits they expect from acquiring that status. Detractors argue that, since 1994 when it first applied for membership in the WTO, Ukraine has done little to adjust its primary production and processing activities to meet world quality standards.

CANADA/UKRAINE TRADE

In 2004, bilateral trade between Canada and Ukraine was CAN\$218 million (M), up from CAN\$144M in 2003. During this period, Ukrainian exports to Canada more than doubled to CAN\$161M, while Canadian exports to Ukraine decreased slightly to CAN\$57M. The largest increase in Ukraine's exports to Canada was that of flat, hot-rolled products of iron and non-alloy steel. Some of the major Canadian exports to Ukraine are textile fabrics, motor vehicles, frozen fish, farm equipment, and poultry products.

At a meeting in April 2004 between Canada's Ambassador to Ukraine, Andrew Robinson, and Ukraine's Minister of Economy and European Integration of Ukraine, Mykola Derkach, Ukraine emphasized its interest in expanding trade relations with Canada on a bilateral basis, as well as on a multilateral basis, particularly within the framework of the WTO. In preparation for potentially joining the WTO, Ukraine has already signed



25 agreements with member countries on market access.

Ukraine is particularly interested in attracting foreign investment from Canada, especially given that general climate for foreign investment in Ukraine has improved considerably in recent years. On a more negative note, Ukraine has experienced one of the lowest levels of Foreign Direct Investment in Eastern Europe but, with recent positive developments in the Ukrainian economy, there has been increased interest from foreign investors.

Business Environment

Privatization and foreign investment has proceeded slowly, relative to other former communist countries. Ukraine's limited progress is attributed to over-regulation and state interference, most of which is aimed at protecting existing enterprises from domestic competition and foreign ownership. Studies by the International Monetary Fund and the World Bank suggest higher levels of corruption in Ukraine than in any other nearby country.

Ukraine's Seed Market

Ukraine is a net importer of planting seeds, most of which are field crop seeds. Seed import procedures are relatively complex but not insurmountable if properly coordinated. Imports are regulated by several legislative acts including the Laws on Seeds, Plant Quarantine, Protection of Plant Varieties, and Sanitary and Epidemiological Well-being of the Ukrainian Population. One time permits may also be issued for varieties that are not included in the State Register of Plant Varieties.

Ukraine's imports of field crop seeds are, in order of value, corn, sunflower, soft wheat, rapeseed, barley, sorghum, flax, hard wheat, and soybeans. In 2003-2004, Ukraine's

imports of field crop seeds totaled US\$40M, up from US\$18M in 2002-2003. United States (US) suppliers have captured about 9% of this burgeoning seed market by capitalizing on the higher Euro relative to the US dollar. The Ukrainian *hryvnya* is unofficially pegged to the US dollar, which currently makes it easier for the US to compete with European Union (EU) suppliers despite the higher transportation costs the US has relative to its EU competitors. For 2004-2005, Canada's exports of field crop seeds to Ukraine are forecast at well over CAN\$80,000, more than triple the 2003-2004 figure.

SITUATION

For 2004-2005, Ukraine produced, as estimated by the United States Department of Agriculture (USDA), a record 41.5 million tonnes (Mt) of its major field crops, specifically barley, wheat, corn, oats, and sunflower seed. The large crop is attributed to a record harvested area and a near record yield for the 2004-2005 year. Incidentally, Ukraine's total production of major field crops for 2004-2005 is nearly double its 2003-2004 production which was seriously affected by poor growing conditions.

Wheat

Ukraine's *wheat*, which has traditionally been of relatively low quality and typically destined for the feed markets in North Africa, the EU, South Korea, Israel, the Philippines, and Indonesia. But there are exceptions.

For 2004-2005, Ukraine's wheat *production* is estimated at 17.5 Mt, nearly five times the

amount of wheat produced in 2003-2004 when yields and harvested area were dramatically reduced by poor weather. Despite a record yield in 2004-2005, Ukraine's wheat production is significantly less than in 2001-2002 when Ukraine produced a record 21.3 Mt of wheat on a record 6.9 million hectares (Mha) of land.

For 2004-2005, Ukraine's *exports* are estimated 4.2 Mt, following a disastrous year when its exports were virtually non-existent. However, exports for 2004-2005 are still considerably less than in 2001-2002 and 2002-2003 when Ukraine exported 5.5 Mt and a record 6.6 Mt, respectively. *Feed use* for 2004-2005 is estimated at 2.2 Mt, up from 0.2 Mt in 2003-2004, and *carry-out stocks* are estimated at 2.7 Mt, up from 1.1 Mt the previous year.

Wheat Exports to Canada

In 2001-2002 and 2002-2003, which were unusually dry years in western Canada, about 70,000 tonnes (t) and 150,000 t, respectively, of Ukrainian wheat were exported to Canada, most of which landed in Quebec. Since then, there have been virtually no exports of Ukrainian wheat to Canada.

UKRAINE: MAJOR FIELD CROPS* SUPPLY AND DISPOSITION				
	2002 -2003	2003 -2004	2004 -2005	2005 -2006
	.....thousand tonnes.....			
Carry-in Stocks	5,315	5,611	2,839	5,534
Production	39,313	22,477	41,450	36,800
Imports	853	3,408	112	142
Supply	45,481	31,496	44,401	42,476
Exports	10,607	3,780	10,655	10,695
Feed Use	13,183	10,546	13,161	11,950
Other	16,080	14,331	15,051	15,670
Total Use	39,870	28,657	38,867	38,315
Carry-out Stocks	5,611	2,839	5,534	4,161
* Barley, wheat, corn, oats, and sunflower seed				
Source: USDA-FAS, July 2005				

UKRAINE: WHEAT SUPPLY AND DISPOSITION				
July-June crop year	2002 -2003	2003 -2004	2004 -2005	2005 -2006
	.....thousand tonnes.....			
Carry-in Stocks	2,961	3,258	1,131	2,680
Production	20,556	3,600	17,500	18,000
Imports	810	3,365	50	50
Supply	24,327	10,223	18,681	20,730
Exports	6,569	66	4,200	5,000
Feed Use	4,000	225	2,200	3,300
Other	10,500	8,801	9,601	10,000
Total Use	21,069	9,092	16,001	18,300
Carry-out Stocks	3,258	1,131	2,680	2,430
UKRAINE: BARLEY SUPPLY AND DISPOSITION				
October-September crop year	2002 -2003	2003 -2004	2004 -2005	2005 -2006
	.....thousand tonnes.....			
Carry-in Stocks	1,324	1,424	796	1,246
Production	10,364	6,850	11,100	8,500
Imports	19	39	50	80
Supply	11,707	8,313	11,946	9,826
Exports	2,883	1,517	4,300	4,000
Feed Use	5,500	4,500	4,700	3,500
Other	1,900	1,500	1,700	1,500
Total Use	10,283	7,517	10,700	9,000
Carry-out Stocks	1,424	796	1,246	826
Source: USDA-FAS, July 2005				

Following discovery of two regulated plant pests (flag smut and dwarf bunt) in three consecutive shipments, the Canadian Food Inspection Agency cancelled in December, 2002 all import permits for Ukrainian wheat entering Canada. In 2004, a team of Ukrainian plant inspectors came to Canada to learn ways and procedures to minimize the risk of pests in grain handling. Government officials continue to work with their Ukrainian counterparts to address this issue.

Barley

For 2004-2005, Ukraine's barley **production** is estimated at a record 11.1 Mt, up considerably from 6.9 Mt in 2003-2004, when barley yields were the lowest in recent history. **Exports** for 2004-2005 are estimated at a record 4.3 Mt, nearly triple the 2003-2004 figure, and **carry-out stocks** are estimated at 1.2 Mt, up from 0.8 Mt in 2003-2004.

Corn

For 2005-2006, Ukraine's corn **production** is estimated at a record 8.8 Mt, up significantly from 6.9 Mt in 2003-2004. The increase is due to a combination of a record yield and record harvested area. As a result of record supplies, **exports** are estimated at a record

2.1 Mt, **feed use** is estimated at a record 5.3 Mt, and **carry-out stocks** are also estimated at a record 1.6 Mt.

Oats

For 2004-2005, Ukraine's oat **production** is estimated at 1.0 Mt, up slightly from 0.9 Mt during the previous year, as improved yields more than offset slightly lower harvested area. With increased supplies domestic **consumption** is expected to have increased accordingly, to 1.0 Mt. Ukraine typically **exports** very little, if any, of oat production.

Sunflower Seed

For 2004-2005, sunflower seed **production** in Ukraine is estimated at 3.1 Mt, down from 4.3 Mt in 2003-2004, as farmers cut back on area seeded to sunflower seed. With supplies at the lowest level since 2001-2002, 2004-2005 **crush** is at 2.9 Mt, down from 3.2 Mt in 2003-2004. **Carry-out stocks**, as in previous years, are expected to be low.

appreciation, Ukraine's ability to improve its trade balance could be stifled.

Weather Conditions

Crop yields in the major growing areas of Ukraine appear to have been negatively affected by drought, particularly because many of the winter cereal crops were at the critical heading stage at the time of that drought conditions occurred. The situation, however, is not expected to be nearly as serious as weather conditions during the 2003-2004 crop year when crop yields and harvested area were greatly reduced.

Supply, Exports and Feed Use

In Ukraine, feed use is normally about 30% of the available supply of its five major field crops, i.e., wheat, barley, corn, rye and sunflower seed, while exports are about 20%. Historically, exports have decreased to about 10% of the available supply during periods of reduced production.

Feed use for 2005-2006 is forecast at 12.0 Mt, consistent with the 42.5 Mt of available supply of major field crops and lower than the levels recorded in 2004-2005 when supplies were 44.4 Mt.

For 2005-2006, Ukraine is expected to **export** 10.7 Mt of its major field crops, virtually unchanged from the previous year. This is about one-quarter of its total production of major field crops. Of total exports for 2005-2006, wheat and barley are expected to account for about 50% and 40%, respectively.

In addition to lower feed use due to lower available supplies, **carry-out stocks** are also forecast to decrease to 4.2 Mt, from 5.5 Mt in 2004-2005.

OUTLOOK

Political and Economic Considerations

The presidential election that occurred in late 2004 is expected to translate into greater political openness and accelerated economic reform in Ukraine. Despite the political and economic setbacks it has experienced over the past few years, Ukraine has managed to demonstrate its potential as an up and coming world market.

In terms of Ukraine's economic outlook, forecasters are expecting the Ukrainian *hyvnya* to appreciate against the US dollar. Should this occur, depending on the magnitude of the

UKRAINE: CORN SUPPLY AND DISPOSITION

October-September crop year	2002 -2003	2003 -2004	2004 -2005	2005 -2006
.....thousand tonnes.....				
Carry-in Stocks	940	832	844	1,554
Production	4,180	6,850	8,800	5,500
Imports	23	0	10	10
Supply	5,143	7,682	9,654	7,064
Exports	811	1,238	2,100	1,100
Feed Use	2,800	4,900	5,300	4,400
Other	700	700	700	700
Total Use	4,311	6,838	8,100	6,210
Carry-out Stocks	832	844	1,554	854

UKRAINE: OATS SUPPLY AND DISPOSITION

October-September crop year	2002 -2003	2003 -2004	2004 -2005	2005 -2006
.....thousand tonnes.....				
Carry-in Stocks	85	72	40	35
Production	943	925	1,000	800
Imports	0	2	0	0
Supply	1,028	999	1,040	835
Exports	6	9	5	5
Feed Use	800	800	850	650
Other	150	150	150	150
Total Use	956	959	1,005	805
Carry-out Stocks	72	40	35	30

Source: USDA-FAS, July 2005

UKRAINE: SUNFLOWER SEED SUPPLY AND DISPOSITION

	2002 -2003	2003 -2004	2004 -2005	2005 -2006
.....thousand tonnes.....				
Carry-in Stocks	5	25	28	19
Production	3,270	4,252	3,050	4,000
Imports	1	2	2	2
Supply	3,276	4,279	3,080	4,021
Exports	338	950	50	590
Feed Use	83	121	111	100
Crush	2,800	3,150	2,870	3,270
Other	30	30	30	40
Total Use	3,251	4,251	3,061	4,000
Carry-out Stocks	25	28	19	21

Source: USDA-FAS, July 2005

UKRAINE: INTERNATIONAL DEVELOPMENT

Ukraine is a priority country for AAFC's international development activities. Canada was a significant contributor to election observation missions in 2004. Ukraine is also one of the 25 priority countries identified by the Canadian International Development Agency (CIDA) in April 2005.

AAFC undertook a needs assessment study in Ukraine in October, 2004, identifying a broad range of opportunities for capacity building and technical assistance from Canadian expertise, which are currently being reviewed. Two projects are already underway. The Saskatchewan Trade and Export Partnership is working with AAFC, with funding from CIDA's Facility for Agriculture Reform and Modernization program to provide irrigation assistance. Secondly, AAFC is developing a generic training module for Business Risk Management support, and Ukraine is being used as a case study to help develop that module.

CIDA is also supporting a Grain Quality and Handling Project, involving the Canadian Grain Commission, which is intended to improve grain quality in Ukraine and to implement a system of cash advance loans, through warehouse storage receipts, in order to allow for small farmers and large-scale producers to compete on the international market and to expand domestic markets. It is valued at \$3.215 million and running from 2003 to 2007.

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Wheat

For 2005-2006, Ukraine's wheat **production** is forecast by USDA at 18.0 Mt, up slightly from 17.5 Mt in 2004-2005, as increased harvested area more than offsets lower yield forecasts. Projections for higher **carry-in stocks** further contribute to the increased wheat supply expected in 2005-2006.

Exports are forecast at 5.0 Mt, up from 4.2 Mt in 2004-2005, and **feed use** is forecast at 3.3 Mt, up from 2.2 Mt in 2004-2005. **Carry-out stocks** are forecast at 2.4 Mt, down from 2.7 Mt in 2004-2005.

Barley

For 2005-2006, barley **production** is forecast at 8.5 Mt, due to significantly lower harvested area and yields. The lower production figure is expected to more than offset high **carry-in stocks**, resulting in a relatively low supply of barley for 2005-2006. However, **exports** are forecast to decrease marginally from 4.3 Mt in 2004-2005, to 4.0 Mt in 2005-2006. **Feed use** is forecast at 3.5 Mt, down from 4.7 Mt in 2004-2005 and **carry-out stocks** are forecast at 0.8 Mt, down from 1.2 Mt in 2004-2005.

Ukraine's **barley** exports are primarily feed quality. In fact, Ukrainian malt producers have often complained about shortages of high quality malting barley required to meet the industry's strict malt specifications. This offers some explanation as to why a near record 80,000 t of barley is expected to be imported by Ukraine in 2005-2006, at a time when its barley exports are at a near record 4.0 Mt. Ukraine's primary customers for its barley are: in order of importance, Saudi Arabia; the Middle East (Israel, Syria,

Jordan); North Africa; Japan; the EU; Iran; and Former Soviet Union countries.

Corn

For 2005-2006, corn **production** is forecast at 5.5 Mt, down from 8.8 Mt in 2004-2005, due to significantly lower harvested area and a decline in yields. With lower supplies expected for 2005-2006, **exports** are forecast at 1.1 Mt, down from 2.1 Mt, and **feed use** is forecast at 4.4 Mt, down from 5.3 Mt. **Carry-out stocks** for 2005-2006 are forecast at 0.9 Mt, down from 1.6 Mt in 2004-2005.

Oats

For 2005-2006, oat **production** is forecast at 0.8 Mt, down from 1.0 Mt in 2004-2005, due to a combination of lower harvested area and a decline in yields. With a significantly lower supply of oats forecast for 2005-2006, **feed use** is forecast at 0.7 Mt, down from 0.9 Mt in 2004-2005, but **carry-in stocks** are expected to remain virtually unchanged at 0.03 Mt.

Sunflower Seed

For 2005-2006, sunflower seed **production** is forecast at 4.0 Mt, up from 3.1 Mt in 2004-2005 and the 5-year average of 3.3 Mt. With the expected increase in supplies in 2005-2006, **exports** are forecast at 0.6 Mt, up dramatically from 0.05 Mt in 2004-2005. **Domestic use** is forecast at 3.4 Mt, up from 3.0 Mt in 2004-2005, and **carry-out stocks** are expected to remain virtually unchanged from previous years.

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CANADA: GRAINS AND OILSEEDS OUTLOOK

August 11, 2005

The area seeded to grains and oilseeds (G&O) in 2005-06 is estimated to have declined by about 0.6 million hectares (Mha) from 2004-05, to 25.5 Mha, as many fields were unseeded in eastern Manitoba because of excessive rain in May and June. Although abandonment is expected to be higher than normal in this region, normal abandonment is assumed in other regions, and total Canadian harvested area is forecast to rise marginally, to 23.4 Mha. Yields in Saskatchewan are forecast to be above-trend due to higher than normal precipitation. Growing conditions are mixed across Canada, with crop development ahead of normal across the western prairies but behind normal in eastern Manitoba. In eastern Canada, yields are expected to be below trend due to hot temperatures and a lack of moisture.

Production of G&O is forecast to decline by 2% from 2004-05, to 62 million tonnes (Mt), as lower expected wheat and coarse grain output more than offsets a rise in oilseed production. Despite lower production, the total supply of G&O for 2005-06 is forecast to rise by 5% to the highest levels since 2001-02, due to the largest carry-in stocks in over a decade. Assuming normal growing and harvest conditions, quality is expected to return to normal for 2005-06. As a result, total Canadian exports of G&O are forecast to rise by 15%. Canadian prices will remain pressured by low world prices and by burdensome world stocks. Factors to watch are: weather conditions across the US and Canada, the severity of disease and insect outbreaks, crude oil prices and the Canada/US exchange rate.

WHEAT (ex-durum)

For 2005-06, production is forecast to fall by 7%, due to the lower seeded area, with yields expected to be well above normal for the second year in a row. Supplies are projected to decline only marginally, due to the sharp rise in carry-in stocks, which are expected to be largely of feed quality because of the poor quality of the 2004 crop. Consequently, feed usage is forecast to remain historically high for 2005-06. Assuming normal quality, exports are forecast to rise by 15% while carry-out stocks fall by 18%. The Canadian Wheat Board (CWB) July Pool Return Outlook (PRO) for No.1 CWRS wheat was unchanged from June, remaining \$3/t below 2004-05.

DURUM

Production is forecast to rise slightly due to increased seeded area and reduced abandonment. Carry-in stocks are expected to increase by about 50% to a record 2.7 Mt, with total supply rising by 16% to a record 7.8 Mt. Exports are expected to increase by 16% due to increased supplies of high quality durum and increased export demand due to dryness in North Africa and southern Europe. However, carry-out stocks are projected to rise by a further 19%, to 3.2 Mt. The CWB PRO for 2005-06 declined slightly from June, and remains below 2004-05, due to burdensome North American supplies.

BARLEY

Production is forecast to increase marginally as higher yields more than offset lower harvested area. Total supply is projected to increase by 6%, due to higher carry-in stocks resulting from the large production of low-quality barley in 2004-05. Exports are expected to rise by 35%, due to higher exportable supplies of malting quality barley and

less competition in overseas feed barley markets. Carry-out stocks are expected to remain burdensome. The off-Board feed barley price is forecast to average \$115/t I/S Lethbridge, slightly above 2004-05. Malting barley prices will be pressured by higher world production, with the CWB PRO for SS 2-row down by \$5/t from 2004-05 to \$173/t.

OATS

Production is forecast to decrease marginally as lower yields more than offset higher area. Total supply, however, is expected to rise by 5%, due to higher carry-in stocks, which resulted from below-normal exports in 2004-05 related to the poor crop quality. Exports are forecast to rise by 0.2 Mt due to larger supplies and improved crop quality. Carry-out stocks are expected to decrease. Oat prices are forecast to decline, with a smaller premium for milling oats.

CORN

Production is forecast to decline by 8% as lower yields in Ontario more than offset higher harvested area. This is expected to be partly offset by a 17% increase in corn imports, partly due to lower imports of feed wheat and barley from western Canada. Food and industrial use is forecast to rise, due to increased ethanol production. Prices are expected to rise by about \$10/t from 2004-05 to average \$110/t at the Chatham elevator.

CANOLA

Production is forecast to increase significantly due to increased harvested area and yields. Carry-in stocks are expected to be sharply higher, so that total supply increases to a record 10.1 Mt. Domestic crush and exports are forecast to increase slightly but will be pressured by large world supplies of

soybean and palm oil. Carry-out stocks are projected at a record 2.8 Mt. Prices are projected to decrease marginally due to higher world canola/rapeseed supplies.

FLAXSEED (excluding solin)

Production is forecast to rise sharply due to higher harvested area and supplies are expected to rise by about 75% from the frost-reduced level of 2004-05. Exports are projected to increase as a result of increased supplies, stable EU and US demand, high crude oil prices and lower flaxseed prices. Total domestic use is forecast to rise slightly. Carry-out stocks are forecast to almost triple but remain within historical norms. Prices are forecast to decline to historically normal levels.

SOYBEANS

Production is forecast to decrease slightly as a higher harvested area is more than offset by lower yields in Ontario. However, domestic supplies are expected to increase due to high carry-in stocks. Imports are therefore forecast to decline. Domestic crush is forecast to increase on support from stronger crush margins while exports are projected to remain unchanged from 2004-05. Carry-out stocks are expected to fall, but remain above average. Prices are forecast to rise slightly due to higher US prices.

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CANADA: GRAINS AND OILSEEDS SUPPLY AND DISPOSITION

August 11, 2005

Grain and Crop Year (a)	Area		Yield t/ha	Production	Imports	Total	Exports	Food and	Feed, Waste	Total Dom-	Carry-out	Average
	Seeded	Harvested			(b)	Supply	(c.)	Ind. Use	& Dockage	estic Use (d)	Stocks	Price (f)
	-----000 ha-----											\$/t
----- thousand metric tonnes-----												
Durum												
2003-2004	2,483	2,459	1.74	4,280	1	5,900	3,427	252	220	684	1,788	224.21
2004-2005p	2,230	2,141	2.32	4,962	1	6,751	3,170	255	406	881	2,700	199 *
2005-2006f	2,280	2,250	2.27	5,100	1	7,801	3,600	260	541	1,001	3,200	194 *
Wheat Except Durum												
2003-2004	8,179	8,009	2.41	19,272	16	23,395	12,300	2,775	3,222	6,804	4,292	206.03
2004-2005p	8,169	7,722	2.71	20,898	12	25,202	11,400	2,770	4,762	8,302	5,500	187 *
2005-2006f	7,750	7,320	2.65	19,400	10	24,910	13,100	2,800	3,700	7,310	4,500	184 *
All Wheat												
2003-2004	10,662	10,467	2.25	23,552	18	29,295	15,727	3,027	3,442	7,488	6,080	
2004-2005p	10,399	9,862	2.62	25,860	13	31,954	14,570	3,025	5,168	9,184	8,200	
2005-2006f	10,030	9,570	2.56	24,500	11	32,711	16,700	3,060	4,241	8,311	7,700	
Barley												
2003-2004	5,046	4,446	2.77	12,328	36	13,838	2,445	298	8,579	9,291	2,102	135.80
2004-2005p	4,678	4,050	3.26	13,186	100	15,388	2,000	300	9,553	10,288	3,100	112.30
2005-2006f	4,500	4,010	3.29	13,200	30	16,330	2,700	380	9,845	10,630	3,000	105-125
Corn												
2003-2004	1,265	1,226	7.82	9,587	2,108	12,805	346	2,415	8,890	11,317	1,143	137.18
2004-2005p	1,185	1,072	8.24	8,836	2,400	12,378	150	2,650	8,463	11,128	1,100	100-105
2005-2006f	1,110	1,090	7.43	8,100	2,800	12,000	150	2,700	8,235	10,950	900	100-120
Oats												
2003-2004	2,272	1,575	2.34	3,691	19	4,234	1,557	140	1,581	1,888	788	136.65
2004-2005p	1,995	1,315	2.80	3,683	25	4,496	1,500	130	1,574	1,896	1,100	129.8
2005-2006f	1,960	1,350	2.67	3,600	15	4,715	1,700	170	1,750	2,115	900	115-135
Rye												
2003-2004	246	147	2.22	327	0	357	171	47	60	125	60	104.44
2004-2005p	284	165	2.53	418	1	479	230	48	109	174	75	70-80
2005-2006f	210	150	2.13	320	1	396	160	48	111	176	60	70-90
Mixed Grains												
2003-2004	241	135	2.84	384	0	384	0	0	384	384	0	
2004-2005p	220	111	2.87	318	0	318	0	0	318	318	0	
2005-2006f	210	120	2.83	340	0	340	0	0	340	340	0	
Total Coarse Grains												
2003-2004	9,070	7,529	3.50	26,317	2,162	31,618	4,519	2,899	19,495	23,006	4,093	
2004-2005p	8,362	6,713	3.94	26,441	2,526	33,060	3,880	3,128	20,018	23,805	5,375	
2005-2006f	7,990	6,720	3.80	25,560	2,846	33,781	4,710	3,298	20,281	24,211	4,860	
Canola												
2003-2004	4,736	4,689	1.44	6,771	243	7,908	3,754	3,390	113	3,545	609	387.04
2004-2005p	5,319	4,938	1.57	7,728	150	8,487	3,298	3,000	419	3,464	1,725	309.15
2005-2006f	5,410	5,130	1.60	8,200	150	10,075	3,500	3,200	530	3,825	2,750	280-320
Flaxseed												
2003-2004	745	728	1.04	754	20	903	609	n/a	n/a	202	93	382.13
2004-2005p	728	528	0.98	517	40	650	412	n/a	n/a	177	60	n/a
2005-2006f	840	780	1.35	1,050	20	1,130	700	n/a	n/a	255	175	320-360
Soybeans												
2003-2004	1,051	1,047	2.17	2,268	587	3,000	914	1,500 ^{1/}	319	1,947	140	395.04
2004-2005p	1,229	1,178	2.59	3,048	450	3,638	1,000	1,580 ^{1/}	488	2,193	445	245-255
2005-2006f	1,195	1,183	2.43	2,875	250	3,570	1,000	1,750 ^{1/}	460	2,320	250	240-280
Total Oilseeds												
2003-2004	6,531	6,464	1.52	9,794	850	11,811	5,277	n/a	n/a	5,693	841	
2004-2005p	7,277	6,643	1.70	11,293	640	12,774	4,710	n/a	n/a	5,835	2,230	
2005-2006f	7,445	7,093	1.71	12,125	420	14,775	5,200	n/a	n/a	6,400	3,175	
Total Grains And Oilseeds												
2003-2004	26,263	24,461	2.44	59,663	3,029	72,724	25,523	n/a	n/a	36,187	11,014	
2004-2005p	26,038	23,219	2.74	63,595	3,179	77,788	23,160	n/a	n/a	38,823	15,805	
2005-2006f	25,465	23,383	2.66	62,185	3,277	81,267	26,610	n/a	n/a	38,922	15,735	

(a) August - July crop year except corn and soybeans which are September - August.

(b) Excludes imports of products. (c) Includes exports of products for wheat, oats, barley, and rye. Excludes exports of oilseed products.

(d) Total Domestic Use = Food and Industrial Use + Feed Waste & Dockage + Seed Use

(e) Industrial use excludes flaxseed due to data confidentiality.

(f) Crop year average prices: No.1 CWRS 11.5% protein and No.1 CWAD 11.5% (CWB final price I/S St. Lawrence/Vancouver), Barley (No. 1 feed, WCE, cash, I/S Lethbridge), Corn (No.2 CE, cash, I/S Chatham), Oats (US No. 2 Heavy, CBoT nearby futures); Rye (No.2 Canada, Elevator bids at select western delivery points); Canola (No. 1 Canada, WCE, cash, I/S Vancouver); Flaxseed (No. 1 CW, WCE, cash, I/S Thunder Bay); Soybeans (No. 2, I/S Chatham).

* CWB Pool Return Outlook (PRO) - July 28, 2005

^{1/} Source for Food and Industrial Use is based on data from the Canadian Oilseed Processors Association.

p: preliminary

f: forecast - Agriculture and Agri-Food Canada - August 11, 2005

Source: Statistics Canada, Cereals and Oilseeds Review Series, Cat. No. 22-007



CANADA: PULSE AND SPECIAL CROPS OUTLOOK

August 9, 2005

For 2005-06, total area seeded to pulse and special crops in Canada decreased by 2%, from 2004-05, as increases for dry peas, lentils, dry beans, sunflower seed and chickpeas were more than offset by decreases for mustard seed, canary seed and buckwheat. Statistics Canada's (STC) seeded area survey, conducted during May 16 - June 3 and released on June 23, provided seeded area estimates for most pulse and special crops by province, but for some of the smaller producing provinces the area seeded has been estimated by AAFC. In general, crop development is near normal, except for Manitoba where it is mostly behind normal due to stress caused by excessive moisture. Normal crop abandonment is expected except for Manitoba where higher than normal abandonment is expected due to excessive moisture. Yields are expected to be higher than trend for Saskatchewan and Alberta, trend for Ontario and Québec, and below trend for Manitoba. The poor crop in Manitoba mainly affects Canadian dry bean, sunflower seed and buckwheat production because Manitoba is normally the largest producer of these crops. The dry pea and lentil harvest has started and harvesting of chickpeas, mustard seed and canary seed is expected to start in mid to late August. It is assumed that precipitation will be normal for the harvest period and that average quality will be normal.

Total production in Canada is forecast to decrease by 6%, from 2004-05, to 4.9 million tonnes (Mt). Total supply is expected to increase by 5% to 6.1 Mt, as higher carry-in stocks more than offset the decrease in production. Exports are forecast to increase by 9% due to stronger demand. Carry-out stocks are expected to increase marginally. Average prices, over all types, grades and markets, are forecast to increase for chickpeas and mustard seed, decrease for dry peas, lentils, dry beans and sunflower seed, and be the same for canary seed and buckwheat. The main factor to watch are precipitation and temperatures during the late summer and fall in Canada. Other factors to watch are the exchange rates of the Canadian dollar against the US dollar and other currencies, ocean shipping rates and growing and harvest conditions in major producing regions, especially United States, India and Australia.

DRY PEAS

For 2005-06, production is forecast to decrease by 10% as a 2% rise in seeded area is more than offset by lower yields. Production is expected to decrease for yellow, green and other types. Supply is forecast to increase slightly due to higher carry-in stocks. World supply is expected to increase by 2% to 12.6 Mt, but use is also forecast to increase, resulting in stable carry-out stocks. Canadian exports and domestic use are expected to increase due to stronger demand in both food and feed markets. Carry-out stocks are forecast to decrease, with a stocks-to-use (s/u) ratio of 16%. The average price, over all types, grades and markets, is forecast to decrease slightly due to the higher world supply.

LENTILS

For 2005-06, production and supply are forecast to increase, due to a 10% rise in seeded area. Production is forecast to decrease for large, medium and small green types, but increase for the red type. World supply is forecast to increase by 8% to 4.22 Mt due to higher carry-in stocks. Although world use is expected to increase, carry-out stocks are forecast to rise. Canadian exports are expected to increase by 15% due to higher demand. Carry-out stocks are forecast to rise, with a s/u ratio of 36%. The average price, over all types and grades, is forecast to decrease only slightly from 2004-05, as pressure from higher world supply is mostly offset by support from higher average quality.

DRY BEANS

For 2005-06, production and supply are forecast to increase, due to a 20% rise in seeded area and lower abandonment. Production is expected to increase for white pea, pinto, black, dark and light red kidney, cranberry, small red and pink beans, but decrease for Great Northern beans. US

production is forecast to increase by 37% to 1.07 Mt, while supply increases by only 15% to 1.21 Mt due to lower carry-in stocks. Canadian exports are forecast to increase due to higher supply. Carry-out stocks are expected to increase, with a s/u ratio of 6%. The average price, over all classes and grades, is forecast to decrease due to the higher supply.

CHICKPEAS

For 2005-06, production and supply are forecast to increase, as a 65% higher seeded area and lower abandonment more than offset lower yields. Production is expected to increase for large and small kabuli types, but decrease for the desi type. World supply is expected to increase marginally to 8.95 Mt. Canadian exports are forecast to increase due to the higher supply. Carry-out stocks are expected to increase, but remain low. The average price, over all types, grades and sizes, is forecast to increase due to higher average quality and a shift to the production of the higher priced kabuli types.

MUSTARD SEED

For 2005-06, production is forecast to decrease by 39% because of a 31% fall in seeded area and lower yields. Production is expected to decrease for all types, yellow, brown and oriental. Supply is forecast to decrease by only 6% due to higher carry-in stocks. Exports are forecast to rise due to higher demand and carry-out stocks are forecast to decrease, with a s/u ratio of 66%. The average price, over all types and grades, is expected to increase due to the lower supply.

CANARY SEED

For 2005-06, production is forecast to decrease by 32%, as a 43% fall in seeded area is partly offset by higher yields. Supply is expected to decrease by only 2% due to higher carry-in stocks. World supply, 90%

of which is in Canada, is forecast to decrease slightly to 400,000 t. Canadian exports are expected to increase due to higher demand and carry-out stocks are forecast to decrease, with a s/u ratio of 57%. The average price is forecast to be the same as in 2004-05, in line with the relatively stable world supply.

SUNFLOWER SEED

For 2005-06, production and supply are forecast to increase due to a 26% rise in seeded area, lower abandonment and higher yields. Production is expected to increase for both types, confectionery and oilseed. US supply is forecast to increase by 49% to 1.63 Mt. World supply is expected to increase by 5% to 28.6 Mt. Canadian exports and domestic use are forecast to increase because of the higher supply. Carry-out stocks are expected to increase, but remain low. The average price, over both types and all grades, is forecast to decrease because of the higher supply in US and Canada.

BUCKWHEAT

For 2005-06, Canadian production is forecast to increase slightly, as a lower seeded area is more than offset by lower abandonment and higher yields. Supply is expected to decrease due to lower carry-in stocks. Exports are forecast to decrease and carry-out stocks are expected to be negligible. The average price is forecast to be the same as in 2004-05, in line with a relatively stable world supply.

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CANADA: PULSE AND SPECIAL CROPS SUPPLY AND DISPOSITION

August 9, 2005

Grain and Crop Year (a)	Area		Yield t/ha	Production	Imports (b)	Total Supply	Exports (b)	Total Domestic Use (d)	Carry-out Stocks	Average Price (e) \$/t
	Seeded	Harvested								
	000 ha									
----- thousand metric tonnes -----										
Dry Peas										
2001-2002	1,344	1,285	1.57	2,023	27	2,245	1,381	589	275	190
2002-2003	1,297	1,050	1.30	1,365	41	1,681	628	743	310	210
2003-2004	1,303	1,271	1.67	2,124	24	2,458	1,316	937	205	175
2004-2005p	1,388	1,345	2.48	3,338	40	3,583	1,900	1,083	600	135
2005-2006f	1,410	1,365	2.20	3,000	30	3,630	2,000	1,130	500	115-145
Lentils										
2001-2002	708	664	0.85	566	6	828	478	219	131	320
2002-2003	601	387	0.91	354	9	494	320	119	55	390
2003-2004	554	536	0.97	520	5	580	368	174	38	420
2004-2005p	778	750	1.28	962	8	1,008	520	328	160	310
2005-2006f	860	815	1.23	1,000	5	1,165	600	255	310	285-315
Dry Beans										
2001-2002	184	175	1.70	298	42	390	263	97	30	725
2002-2003	230	219	1.89	414	40	484	298	106	80	445
2003-2004	167	167	2.13	356	31	467	344	83	40	495
2004-2005p	163	126	1.75	220	30	290	241	44	5	650
2005-2006f	196	173	1.73	300	40	345	270	55	20	530-560
Chickpeas										
2001-2002	486	467	0.97	455	12	497	146	211	140	380
2002-2003	221	154	1.01	156	9	305	105	140	60	300
2003-2004	63	63	1.08	68	2	130	74	36	20	330
2004-2005p	47	39	1.31	51	5	76	40	31	5	385
2005-2006f	77	72	1.18	85	5	95	50	35	10	415-445
Mustard Seed										
2001-2002	166	158	0.66	105	3	213	171	9	33	685
2002-2003	289	255	0.60	154	9	196	114	22	60	595
2003-2004	340	328	0.69	226	2	288	121	75	92	390
2004-2005p	317	304	1.00	305	2	399	130	79	190	295
2005-2006f	217	208	0.89	185	2	377	150	77	150	300-330
Canary Seed										
2001-2002	170	163	0.70	114	0	184	134	20	30	660
2002-2003	287	227	0.78	176	0	206	164	22	20	575
2003-2004	251	243	0.93	226	0	246	168	11	67	345
2004-2005p	356	318	0.94	300	0	367	175	37	155	230
2005-2006f	204	194	1.06	205	0	360	185	45	130	215-245
Sunflower Seed										
2001-2002	73	67	1.55	104	29	179	92	65	22	355
2002-2003	100	95	1.65	157	21	200	105	60	35	440
2003-2004	119	115	1.30	150	16	201	96	80	25	405
2004-2005p	87	59	0.92	54	30	109	35	69	5	490
2005-2006f	110	95	1.21	115	25	145	60	75	10	375-405
Buckwheat										
2001-2002	16	14	1.14	16	1	17	6	8	3	325
2002-2003	12	12	1.00	12	1	16	6	7	3	340
2003-2004	9	9	1.11	10	1	14	5	7	2	355
2004-2005p	9	7	0.71	5	1	8	4	4	0	355
2005-2006f	7	6	1.00	6	1	7	3	4	0	340-370
Total Pulse And Special Crops (c)										
2001-2002	3,131	2,993	1.23	3,681	120	4,553	2,671	1,218	664	
2002-2003	3,025	2,399	1.16	2,788	130	3,582	1,740	1,219	623	
2003-2004	2,797	2,732	1.35	3,680	81	4,384	2,492	1,403	489	
2004-2005p	3,136	2,948	1.78	5,235	116	5,840	3,045	1,675	1,120	
2005-2006f	3,080	2,928	1.67	4,896	108	6,124	3,318	1,676	1,130	

(a) August-July crop year.

(b) Excludes products.

(c) Includes Pulse Crops (dry peas, lentils, dry beans, chick peas) and Special Crops (mustard seed, canary seed, sunflower seed, buckwheat)

(d) Includes food, feed, seed, waste and dockage. Total domestic use is calculated residually.

(e) Producer price, FOB plant. Average over all types, grades and markets.

p: preliminary

f: forecast, Agriculture and Agri-Food Canada, August 9, 2005

Source: Statistics Canada and industry consultations.

A. SELLING PRICE OF BULK FEED INGREDIENTS AT SELECTED POINTS

August 8, 2005

SELECTED POINT	REFERENCE PERIOD	PRICE BASIS	(1) WHEAT	OATS	BARLEY	CORN	PRICE BASIS	SOYBEAN MEAL	CANOLA MEAL	MILL-FEEDS	MEAT MEAL	FISH MEAL	ANIMAL FAT	GLUTEN MEAL	GLUTEN FEED	FEED PEAS	DEHY ALFALFA	FEATHER MEAL
Vancouver (4) (7)	August 8, 2005	FOB	129.00	N/A	134.00	145.00		329.50	181.00	108.00		850.00	470.00					405.00
BC (4) (7)	August 2nd, 2005		129.00	N/A	134.00	147.00		324.50	185.00	108.00		850.00	470.00					405.00
Calgary	August 8, 2005	FOB	104.00	N/A	105.00	129.00		325.50			130.00	975.00	505.00					380.00
AB (4)	August 2nd, 2005		104.00	N/A	105.00	140.00		327.00			130.00	975.00	505.00					380.00
Saskatoon	August 8, 2005	FOB	90.50	138.00	89.00	133.00		327.50	N/A		135.00	N/A	505.00			117.50		420.00
SK (4)	August 2nd, 2005		90.50	138.00	89.00	136.00		329.00	N/A		135.00	N/A	505.00			129.00		420.00
Winnipeg	August 8, 2005	FOB	130.00	140.00	108.50	114.00		316.00	N/A		290.00	997.50	525.00					350.00
MB (4) (9)	August 2nd, 2005		130.00	140.00	108.50	118.00		317.50	N/A		290.00	997.50	525.00					350.00
Thunder Bay	August 8, 2005	In-Store	105.80	N/A	107.95													
ON (8)	August 2nd, 2005		107.35	N/A	109.15													
Lake Ports	August 8, 2005	On Board				103.34												
USA (3)	August 2nd, 2005	Vessel				113.18												
Bay Ports	August 8, 2005	In-Store	140.00	205.00	118.00													
ON	August 2nd, 2005		140.00	205.00	118.00													
Chatham	August 8, 2005	Track				111.28												
ON	August 2nd, 2005					115.43												
Toronto	August 8, 2005	N/A					FOB				193.00	N/A	460.00	425.00	114.00		270.00	435.00
ON (5)	August 2nd, 2005										189.33	N/A	460.00	425.00	114.00		270.00	415.00
Hamilton	August 8, 2005	N/A						233.27	#N/A									
ON	August 2nd, 2005							235.62	#N/A									
Eastern	August 8, 2005	FOB				112.50												
ON	August 2nd, 2005					104.40												
London	August 8, 2005	FOB												425.00	114.00			
ON	August 2nd, 2005													425.00	114.00			
Port Colborne	August 8, 2005	FOB								48.50				425.00	114.00			
ON	August 2nd, 2005									50.00				425.00	114.00			
Cardinal	August 8, 2005	FOB												425.00	114.00			
ON	August 2nd, 2005													425.00	114.00			
Montreal	August 8, 2005		141.00	150.00	140.50	117.00		285.35	217.83	61.33	250.00	850.00	411.00	425.00	114.00		270.00	410.00
QC (5)	August 2nd, 2005		141.00	150.00	140.50	136.00	FOB	311.51	219.15	58.00	250.00	850.00	431.00	425.00	114.00		270.00	410.00
Trois-Rivières	August 8, 2005	In-Store	143.00		151.30	130.07												
QC	August 2nd, 2005		143.10		152.70	136.45												
St. Jean QC (2)	August 8, 2005	FOB	125.84	115.16	117.73	109.73		301.13										
St. Hyacinthe QC	August 2nd, 2005		139.10	121.18	127.39	112.99		307.47										
Quebec	August 8, 2005	In-Store	145.00	N/A	161.45	132.75		335.40	230.70									
QC	August 2nd, 2005		144.53	N/A	161.23	137.20		332.82	234.13									
Truro	August 8, 2005	Track	176.07		167.20	161.27		362.75	258.86				505.00					410.00
NS	August 2nd, 2005		177.07		167.20	166.46	FOB	365.45	258.86				505.00					410.00
Truro	August 8, 2005	Water	N/A	N/A	N/A	N/A												
NS	August 2nd, 2005	& Truck	N/A	N/A	N/A	N/A												
Halifax	August 8, 2005	In-Store	N/A	N/A	N/A	n/a		378.00		297.50		1,100.00	N/A					
NS (6)	August 2nd, 2005		N/A	N/A	N/A	n/a		393.00		297.50		1,100.00	N/A					

Source: Market Analysis Division, Agriculture and Agri-Food Canada; Thunder Bay prices are based on the Winnipeg Commodity Exchange (WCE) market close
US\$1.00=CANS1.2187, closing date August 5, 2005
N/A = not available
Email: dounbea@agr.gc.ca

Footnotes: All prices in Canadian dollars per metric tonne based on survey respondents.

Grain grades (unless otherwise specified) are: Western or Eastern Feed Wheat, Feed Oats, No. 1 Canada Western or Eastern Barley, No. 2 Canada Yellow Corn, No. 3 US Yellow Corn.
Soybean Meal 48 % Protein. Canola Meal based on minimum standard of 35% Protein. Fish Meal: white fish and/or herring meal. Gluten Meal 60% Protein. Gluten Feed 21% Protein.

(1) Wheat 3CWRS (2) Canadian Corn #3 or #2 (3) US Corn (4) Fish Meal from West Coast 63% Protein (5) Fish Meal 60% Protein (6) Herring Fish Meal (7) Fraser Valley (8) Wheat & Barley (Basis - Cash Price WCE) (9) Oats 3CW

B. CASH PRICES AND REPLACEMENT VALUES

August 8, 2005

PRAIRIE GRAINS

Selected Points	Price Basis		This week 8-Aug-05	Last week 25-Jul-05	Month ago 11-Jul-05	Year ago 9-Aug-04
From: Thunder Bay(WCE) (2)	In-Store	Wheat	108.00	109.00	109.00	160.00
(CBOT)		Oat	155.25	169.00	155.25	132.00
(Lethbridge)		Barley	105.00	112.50	115.00	125.00
To: Bayport, ON (1)	In-store	Wheat	131.61	132.61	132.61	183.61
		Oat	N/A	N/A	N/A	N/A
		Barley	132.39	139.89	142.39	152.39
Montreal, QC (1)	In-store	Wheat	136.03	137.03	137.03	188.03
		Oat	N/A	N/A	N/A	N/A
		Barley	137.31	144.81	147.31	157.31
Moncton, NB	Truck via Halifax	Wheat	158.25	159.25	159.25	210.25
		Oat	N/A	N/A	N/A	N/A
		Barley	161.50	169.00	171.50	181.50
Truro, NS	Truck via Halifax	Wheat	152.22	153.22	153.22	204.22
		Oat	N/A	N/A	N/A	N/A
		Barley	159.00	166.50	169.00	179.00
Halifax, NS (1)	In-store	Wheat	143.28	144.28	144.28	195.28
		Oat	N/A	N/A	N/A	N/A
		Barley	145.30	152.80	155.30	165.30
Stephenville, NL	Track / Truck via Sydney	Wheat	206.63	207.63	207.63	258.63
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A
Melfort, SK		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Bayport, ON		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Montreal, QC		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Moncton, NB		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Truro, NS		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track / Truck via Sydney	Barley	N/A	N/A	N/A	N/A
Stephenville, NL		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A

Selected Points	Price Basis		This week 25-Jul-05	Last week 25-Jul-05	Last week 11-Jul-05	Year ago 9-Aug-04
Corn						
From: US Lake Port	On Board Vessel		103.34	122.89	112.10	141.26
To: Montreal, QC (1)	In-store		122.38	141.93	131.14	160.30
From: Chicago (IL)	Track		103.34	123.86	110.66	0.00
To: Montreal, QC	Track		132.20	152.72	139.52	28.86
From: Chatham, ON	Track		111.28	122.08	111.99	0.00
To: Montreal, QC	Track		135.15	145.95	135.86	23.87

Soymeal 48% Protein						
From: Hamilton, ON			233.27	250.72	233.14	0.00
To: Montreal, QC	Track		257.60	275.05	257.47	24.33
Moncton, NB	Track		276.35	293.80	276.22	43.08
Truro, NS	Track		279.57	297.02	279.44	46.30
Stephenville, NL	Track / Truck via Sydney		328.20	345.65	328.07	94.93

- Prices include ONE month of storage and interest charges n/a = not available
- Thunder Bay prices are based on the Winnipeg Commodities Exchange market close (Cash price)

Source: Market Analysis Division, Agriculture and Agri-Food Canada

Contact: André Doumbé: Statistical Clerk (204) 983-0581 Fax: (204) 983-5524 e-mail: doumbea@agr.gc.ca

Footnotes: All prices quoted in Canadian dollars per metric tonne.

Grain grades (unless otherwise specified) are: Canada Western Feed Wheat, Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn.

Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec.

Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable

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WHEAT: SITUATION AND OUTLOOK

For 2005-2006, prices for most classes of wheat are expected to decline from 2004-2005 largely due to increased supplies in the five major exporting countries and lower import demand. The strong Canadian dollar will continue to dampen returns to Canadian farmers. This issue of the *Bi-weekly Bulletin* examines the situation and outlook for wheat for 2005-2006. "Wheat" refers to all wheat including durum, unless otherwise specified.

World wheat supplies for 2005-2006 are forecast by the United States Department of Agriculture (USDA) to increase slightly from 2004-2005. Higher carry-in stocks are expected to more-than offset lower production of 610 Mt, a 2% decline from last year. Wheat consumption is forecast to increase, mainly due to higher feed use in the European Union (EU) and the Former Soviet Union (FSU). World wheat carry-out stocks are expected to decline by 5%, to 141Mt and the stock-to-use (S/U) ratio is forecast to be near the record low of 22% recorded in 2003-2004. Trade is expected to decline by 3%, to 108 Mt, mainly due to reduced imports by China. Of the total exports, the US is expected to account for 25%, with Canada, Australia, the EU-25 and FSU each contributing about 15%.

Non-durum wheat production is down only slightly, to 575 Mt and trade is forecast to decline by 4% to 101 Mt, close to the 10-year average.

Durum wheat production is estimated by the International Grains Council (IGC) at 35.5 Mt, 14% lower than last year. Trade is forecast to rise by 15%, to a record 7.8 Mt.

United States

All wheat production is estimated by USDA at 2,170 million bushels (Mbu) (59.0 Mt), only marginally above 2004-2005. Increased production of hard red winter (HRW), white wheat and durum

is expected to more-than offset reduced output of soft red winter, (SRW) and hard red spring (HRS) wheat. Total US wheat exports are forecast to decrease by 8%, to 975 Mbu due to increased competition from the EU and the FSU. As a result of lower exports, carry-out stocks and the stocks-to-use ratio are expected to increase from 2004-2005. US wheat imports, largely from Canada, are forecast at 70 Mbu (including products), similar to 2004-2005, and 14% below the 10-year average. Non-durum wheat imports will be mainly Ontario winter wheat, due to the continuing duties on imports of Canadian HRS wheat.

SRW wheat production is expected to decrease by almost 16% from last year

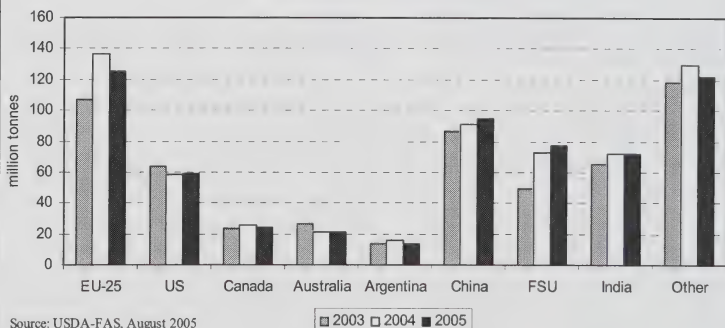
while HRW production increases by 9% and HRS production decreases marginally. However, stocks are expected to rise for all classes of wheat, pressuring wheat prices in general. For high quality milling wheat, prices are expected to be further pressured by improved spring wheat quality in western Canada.

For durum, production is forecast to rise by 4%, to 93 Mbu, marginally above the 5-year average.

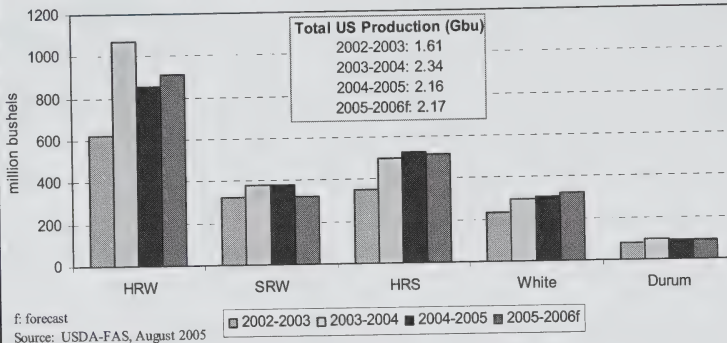
European Union-25

Although exports increased by 24% in 2004-2005, aided by an average subsidy of US\$8 per tonne (/t), carry-out stocks, consisting largely of lower quality wheat, nearly tripled to a record 26.0 Mt. As a consequence, EU

WORLD WHEAT PRODUCTION: MAJOR PRODUCERS



UNITED STATES: WHEAT PRODUCTION BY CLASS



The national loan rate under the US *Security and Rural Investment Act* (FSRIA) for wheat for 2005-2006 is US\$2.75/bu. There are individual loan rates by class of wheat. The target price, which determines the counter-cyclical payment (CCP) is US\$3.86/bu for wheat and exceeds both the loan rate and expected actual farm price. The target price is not county-specific. The CCP is determined by the target price minus the fixed payment (US\$0.25/bu) minus the higher of the loan rate or the average farm price. The CCP is based on 85% of a farmer's base area and yields, and is decoupled from a farmer's actual seeded area.

domestic supplies are forecast to rise by 3%. Production is forecast to decrease by 8% from 2004-2005 to 125.5 Mt, the second-highest on record, versus the 5-year average of 121 Mt. Exports are projected to rise by 11%, aided by continued use of export subsidies. In the first week of February, 2005, EU resumed the weekly open market export tenders, after suspending them for the previous 18 months due to burdensome stocks and the appreciation of the Euro against the US dollar. EU domestic consumption is also forecast to increase due to higher feed use, and carry-out stocks are expected to decrease but remain burdensome.

Durum wheat accounts for 8-10% of total EU wheat production and about 98% is from Italy, Spain, France and Greece, along the Mediterranean Sea. EU production is estimated by IGC to decrease by 36% from 2004-2005 to 7.3 Mt due to a drought in Spain and in Italy, as a result of Common Agricultural Policy Reform, a reduction in seeded area. Imports are projected to rise by 44% to a record 2.3 Mt. Canadian durum exports to the EU are expected to rise significantly from the 0.3 Mt in 2004-2005. EU carry-out

stocks are forecast to fall significantly to a well-below normal level.

Australia

Australia had one of the driest autumns (March-May) on record but precipitation during June improved moisture conditions at seeding time. Wheat production is forecast by the USDA at 21.5 Mt, unchanged from last year. Exports are projected to decrease marginally, to 15.5 Mt (July-June), close to the 5-year average. Carry-out stocks are forecast to remain relatively unchanged at 5.9 Mt.

Australian durum production is forecast by the IGC at 0.5 Mt, the same as 2004-2005. Below average yields are expected again this season because of continued drought in parts of Australia and the relatively late seeding this season. Australian durum tends to be of good quality due to the hot dry growing conditions, and Australia has become a major competitor in the premium Italian market. Exports are forecast by IGC to rise by 25% in 2005-2006, to 0.5 Mt.

Argentina

For the 2005-2006 wheat planting season, Argentina has been dry, particularly in the key wheat producing province of Buenos Aires, and as a result, both area and yields are expected to decline from 2004-2005. Production and exports are forecast to decrease significantly from 2004-2005 to 13.5 Mt and 8.0 Mt (July-June), respectively.

Argentine durum is mainly grown in the southern part of the province of Buenos Aires. Area seeded is expected to decrease as farmers switch to more profitable crops, primarily sunflowers and soybeans. Yields are expected to increase and production is forecast at 0.2 Mt, similar to 2004-2005.

Former Soviet Union

The FSU recovered from the severe winterkill of 2003-2004, with production increasing sharply, particularly in Russia and Ukraine, in 2004-2005. For 2005-2006, production is forecast at 77 Mt, up 6% from last year. Supplies are expected to increase by 9%.

Consumption is forecast to increase to the highest level since 1997-1998 due to increased feed use. Exports are projected to rise by 27%, to 18.5 Mt, second only to the record 25.4 Mt exported in 2002-2003. Carry-out stocks are forecast to increase marginally.

India

Wheat production in India is supported by high internal guaranteed prices, and has been steadily increasing due to improved yields. Indian wheat tends to be of lower quality, and much has been exported as feed into Southeast Asia. Exports were a record 5.7 Mt in 2003-2004. Indian wheat does not compete directly with Canadian wheat in any market. Consumption has exceeded production since 2002-2003. Wheat production is forecast to be the same as last year at 72.0 Mt, 1 Mt lower than projected consumption. India is forecast to be a net wheat importer in 2005-2006, for the first time since 1999-2000, importing 1.0 Mt, versus exports of 0.5 Mt which are the lowest in 6 years. Carry-out stocks are expected to fall to 3.6 Mt.

However, the price changes will vary by class of wheat, due to different supply and disposition factors.

The supply of US **SRW wheat**, as estimated by the USDA, is expected to decrease by about 9% as lower production more-than offsets higher carry-in stocks. SRW prices on the CBoT are expected to average US\$3.10-3.15/bu versus US\$3.18/bu for 2004-2005.

The supply of US **HRW wheat** is estimated to increase by 5% from 2004-2005 as higher US production more-than offsets lower carry-in stocks. Production is estimated at 913 Mbu, up by 7% 2004-2005. The S/U ratio is forecast to rise from 22% in 2004-2005 to 25% in 2005-2006. The premium for HRW over SRW is expected to decrease to about US\$0.15/bu, versus US\$0.24/bu in 2004-2005, and the 10-year average of US\$0.22/bu. The

average nearby KCBT HRW price is forecast to decrease by about 5%, to US\$3.25-\$3.35/bu (June-May).

The supply of US **HRS wheat** is estimated to decrease marginally as lower production more-than offsets higher carry-in stocks. US production is estimated to fall by 2%, to 516 Mbu. Due to increased competition from other exporters, including Canada, exports are forecast to fall by 13%, to 270 Mbu. Carry-out stocks are projected to increase by 6%, to 169 Mbu, with the S/U ratio rising to 33%, from 30% last year. The premium over the KCBT is expected to return to a normal level of US\$0.20/bu, from US\$0.14/bu in 2004-2005, so that the average nearby futures price on the Minneapolis Grain Exchange (MGE) is forecast to be relatively unchanged from 2004-2005, at US\$3.55-\$3.60/bu.

However, assuming better quality and improved protein content in both the US and Canadian HRS crops, premiums for top quality high protein Dark Northern Spring (DNS) wheat are expected to decline, with the cash premium for DNS with 14% protein (DNS 14) at Minneapolis forecast to fall by over 30%, to a slightly above-normal US\$0.70/bu, with the average DNS 14 cash price being US\$4.25-4.30/bu, 7% below 2004-2005.

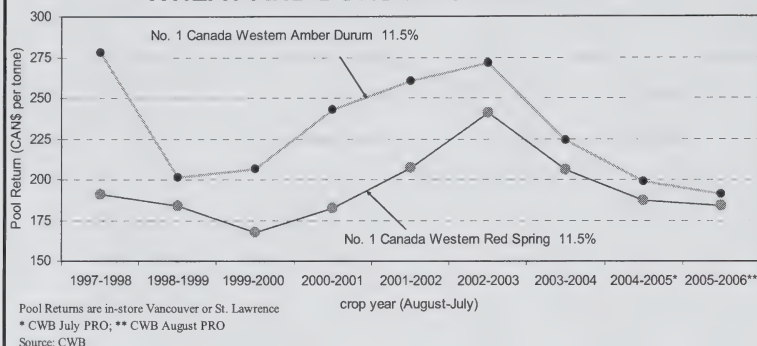
The supply of US **durum wheat** is estimated to increase by 10% from 2004-2005 due to higher carry-in stocks and production. Production is forecast to rise by 3% to 93 Mbu.

In addition, world durum prices are also expected to be pressured by burdensome Canadian supplies. The US No.3 Hard Amber Durum (HAD) export price FOB Gulf is expected to decrease from US\$193/t in 2004-2005

CANADA-US WHEAT TRADE DISPUTE

September 13, 2002	The North Dakota Wheat Commission and US Durum Growers launched a petition asking the US government to initiate countervailing duty and anti-dumping investigations against Canadian HRS wheat and durum imports. They alleged that the Canadian government unfairly subsidized Canadian wheat and that the CWB "dumps" wheat into the US at below market prices.
March 4, 2003	Tariffs on Canadian imports to the US of 3.94% on HRS wheat and durum were announced pursuant to the countervailing duty case. This preliminary determination was a US domestic trade action, carried out under US trade law and investigated by the US Department of Commerce (DOC), which also makes the final determinations. The US International Trade Commission (ITC) is also investigating whether injury had been caused to the US wheat industry.
May 2, 2003	Based on preliminary findings that Canada was dumping wheat into the US at below market prices, the US DOC imposed preliminary anti-dumping duties of 6.12% on HRS wheat and 8.15% on durum, in addition to the 3.94% duties imposed by the US in March over subsidy allegations.
August 29, 2003	The US DOC increased combined tariffs on Canadian HRS wheat and durum exports to the US to 14.15% and 13.55%, respectively, in its final determination.
October 3, 2003	The US ITC determined that imports of durum wheat were not injuring US producers but that imports of HRS wheat were injuring the US wheat sector. Thus the existing tariffs on HRS wheat remain but were removed for durum.
March 10, 2004	A NAFTA panel ordered the US DOC to reconsider duties on spring wheat imports from Canada. Panellists decisively rejected the US DOC's treatment of the three guarantees as a single program under the heading of "financial risk coverage" and required that each guarantee to be separately evaluated. The panel reaffirmed the US DOC decision to assess a 0.35% duty resulting from government provision of railcars.
June 7, 2005	A North American Free Trade Agreement (NAFTA) panel said it could find "no substantial evidence" to support the injury allegations. The US Panel noted that the US ITC had failed to prove causation between imports of Canadian wheat and circumstances in the US wheat industry. The US ITC is expected to respond to the Panel on October 5, 2005.
August 8, 2005	The US DOC lowered the level of countervailing duties on imports of Canadian wheat to 2.54% from 5.29% in response to an order by a NAFTA panel. An 11.4% combined tariff still remains on HRS wheat.

CANADIAN WHEAT BOARD: WHEAT AND DURUM POOL RETURNS



to US\$175/t in 2005-2006 (June- May).

Canada

In most quality-conscious markets, the Canadian Wheat Board (CWB) normally receives a price for wheat and durum that is competitive with US prices for wheat of similar quality. The prices obtained by the CWB are therefore, to a large degree, impacted by US crop conditions, domestic consumption and exports.

CWB returns are expected to be similar to 2004-2005 for lower quality spring wheat (low protein No.2 CWRS, No.3 CWRS and CPS), due to the expected flat MGE HRS futures market. However, projected declining premiums for DNS 14 will result in lower returns for higher protein Nos. 1 and 2 CWRS wheat. Canadian durum prices are forecast to decline, in line with lower world and US prices.

Grain is traded on world markets in US dollars, and a stronger Canadian dollar reduces returns in Canadian dollar terms. For 2005-2006, the dollar is forecast to be only marginally stronger at about US\$0.81, versus US\$0.795 for 2004-2005, so that the dollar will not have a major impact on the year-over-year change in returns.

The CWB initial payments for 2005-2006 are significantly lower than those set at the beginning of the 2004-2005 crop year, particularly for non-durum

wheat. The reason for the disproportionate decline in initial payments for non-durum wheat, compared to the pool return outlook (PRO), is that the PRO was much stronger at the beginning of the 2004-2005 crop year. For example, the PRO for No.1 CWRS 12.5 in July 2004 was \$214/t, \$20/t higher than currently projected and \$24/t above the current outlook for 2005-2006.

The July 2004 PRO turned out to be overly optimistic mainly due to the larger than expected 2004-2005 world wheat crop and resultant higher than projected carry-out stocks. The stronger than expected Canadian dollar also eroded CWB pool returns in 2004-2005. August 1, 2004 the dollar was worth US\$0.76, and was expected to remain near that level for the crop year, while it actually averaged about US\$0.80. Similarly, the current 2005-2006 PRO could be raised or lowered later in the year, as more complete information on supply and disposition factors and actual market prices becomes available.

Once the CWB has made significant sales at prices above the original initial payment level, the sales revenue offsets part of the federal government guarantee and the initial payments may be adjusted upwards. The safety factor applies only to the unsold portion of the pool account. These adjustments will occur earlier in

the crop year if the price outlook strengthens, but will in most cases be made eventually as long as the price outlook does not decline significantly. For 2004-2005, the initial payment for No.1 CWRS 12.5 was adjusted to \$177.10/t by the end of the crop year, \$27.10/t higher than at the beginning, despite the declining price outlook throughout the year.

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B. CASH PRICES AND REPLACEMENT VALUES

May 30, 2005

PRAIRIE GRAINS

Selected Points	Price Basis		This week 30-May-05	Last week 16-May-05	Month ago 2-May-05	Year ago 31-May-04
From: Thunder Bay(WCE) (2)	In-Store	Wheat	107.00	106.00	106.00	188.00
(CBOT)		Oat	135.25	132.00	142.50	147.75
(Lethbridge)		Barley	114.00	113.00	112.00	158.00
To: Bayport, ON (1)	In-store	Wheat	130.61	129.61	129.61	211.61
		Oat	N/A	N/A	N/A	N/A
		Barley	141.39	140.39	139.39	185.39
Montreal, QC (1)	In-store	Wheat	135.03	134.03	134.03	216.03
		Oat	N/A	N/A	N/A	N/A
		Barley	146.31	145.31	144.31	190.31
Moncton, NB	Truck via Halifax	Wheat	157.25	156.25	156.25	238.25
		Oat	N/A	N/A	N/A	N/A
		Barley	170.50	169.50	168.50	214.50
Truro, NS	Truck via Halifax	Wheat	151.22	150.22	150.22	232.22
		Oat	N/A	N/A	N/A	N/A
		Barley	168.00	167.00	166.00	212.00
Halifax, NS (1)	In-store	Wheat	142.28	141.28	141.28	223.28
		Oat	N/A	N/A	N/A	N/A
		Barley	154.30	153.30	152.30	198.30
Stephenville, NL	Track / Truck via Sydney	Wheat	205.63	204.63	204.63	286.63
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A
Melfort, SK		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Bayport, ON		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Montreal, QC		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Moncton, NB		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Truro, NS		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track / Truck via Sydney	Barley	N/A	N/A	N/A	N/A
Stephenville, NL		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A

Selected Points	Price Basis		This week 30-May-05	Last week 16-May-05	Last week 2-May-05	Year ago 31-May-04
Corn						
From: US Lake Port	On Board Vessel		109.11	101.14	104.16	167.76
To: Montreal, QC (1)	In-store		128.15	120.18	123.20	186.80
From: Chicago (IL)	Track		111.10	104.61	108.12	160.77
To: Montreal, QC	Track		139.96	133.47	136.98	189.63
From: Chatham, ON	Track		114.75	106.35	109.00	167.71
To: Montreal, QC	Track		138.62	130.22	132.87	191.58

Soymeal 48% Protein						
From: Hamilton, ON			230.88	209.36	215.17	402.12
To: Montreal, QC	Track		255.21	233.69	239.50	426.45
Moncton, NB	Track		273.96	252.44	258.25	445.20
Truro, NS	Track		277.18	255.66	261.47	448.42
Stephenville, NL	Track / Truck via Sydney		325.81	304.29	310.10	497.05

1. Prices include ONE month of storage and interest charges n/a = not available
 2. Thunder Bay prices are based on the Winnipeg Commodities Exchange market close (Cash price)

Source: Market Analysis Division, Agriculture and Agri-Food Canada
 Contact: Valérie Chartier: A/Statistical Clerk (204) 983-0581 Fax: (204) 983-5524 e-mail: chartierv@agr.gc.ca

Footnotes: All prices quoted in Canadian dollars per metric tonne.
 Grain grades (unless otherwise specified) are: Canada Western Feed Wheat, Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn.
 Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec.
 Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable

A. SELLING PRICE OF BULK FEED INGREDIENTS AT SELECTED POINTS

May 30, 2005

SELECTED POINT	REFERENCE PERIOD	PRICE BASIS	(1) WHEAT	OATS	BARLEY	CORN	PRICE SOYBEAN MEAL	CANOLA MEAL	MILL-FEEDS	MEAT MEAL	FISH MEAL	ANIMAL FAT	GLUTEN MEAL	GLUTEN FEED	FEED PEAS	DEHY ALFALFA	FEATHER MEAL
Vancouver	May 30, 2005	FOB	128.00	N/A	132.00	153.00	318.50	186.00	103.00		850.00	520.00					365.00
BC (4) (7)	May 24, 2005		129.00	N/A	132.00	154.00	311.50	186.00	105.00		850.00	520.00					365.00
Calgary	May 30, 2005	FOB	108.00	N/A	113.00	145.00	307.00			115.00	975.00	555.00					340.00
AB (4)	May 24, 2005		108.00	N/A	112.00	150.00	307.00			125.00	975.00	555.00					340.00
Saskatoon	May 30, 2005	FOB	89.00	117.50	88.00	137.00	309.50	N/A		130.00	N/A	555.00			126.67		380.00
SK (4)	May 24, 2005		89.00	117.50	88.00	141.00	309.50	N/A		140.00	N/A	555.00			126.67		380.00
Winnipeg	May 30, 2005	FOB	130.00	140.00	107.50	122.00	289.50	N/A		290.00	987.50	525.00					340.00
MB (4) (9)	May 24, 2005		129.50	140.00	108.50	121.00	289.50	N/A		290.00	987.50	525.00					340.00
Thunder Bay	May 30, 2005	In-Store	108.00	N/A	107.05												
ON (8)	May 24, 2005		106.50	N/A	105.25												
Lake Ports	May 30, 2005	On Board				109.11											
USA (3)	May 24, 2005	Vessel				111.14											
Bay Ports	May 30, 2005	In-Store	138.00	205.00	138.00												
ON	May 24, 2005		136.00	205.00	138.00												
Chatham	May 30, 2005	Track				114.75											
ON	May 24, 2005					115.71											
Toronto	May 30, 2005	N/A								182.00	N/A	420.00	114.00				345.00
ON (5)	May 24, 2005									182.00	N/A	420.00	114.00				340.00
Hamilton	May 30, 2005	N/A					230.88	#N/A									
ON	May 24, 2005						218.75	#N/A									
Eastern	May 30, 2005	FOB				109.30											
ON	May 24, 2005					104.00											
London	May 30, 2005	FOB											425.00	114.00			
ON	May 24, 2005												425.00	114.00			
Port Colborne	May 30, 2005	FOB							46.00				425.00	114.00			
ON	May 24, 2005								46.00				425.00	114.00			
Cardinal	May 30, 2005	FOB											425.00	114.00			
ON	May 24, 2005												425.00	114.00			
Montreal	May 30, 2005		137.00	175.00	139.00	134.89	289.02	200.84	61.00	175.00	850.00	435.50	425.00	114.00		270.00	360.00
QC (5)	May 24, 2005		137.00	150.00	139.00	115.00	279.11	189.00	61.00	175.00	850.00	435.50	425.00	114.00		270.00	350.00
Trois-Rivières	May 30, 2005	In-Store	145.30		147.10	136.31											
QC	May 24, 2005		144.40			145.50	137.59										
St. Jean QC (2)	May 30, 2005	FOB	147.55	127.89	137.06	118.57	298.45										
QC	May 24, 2005		149.45	123.58	140.77	115.47	289.96										
St. Hyacinthe QC	May 30, 2005	In-Store	141.10	N/A	156.88	136.94	311.38	220.65									
Quebec	May 24, 2005		140.80	N/A	156.28	137.50	298.21	203.03									
Truro	May 30, 2005	Track	174.80	N/A	168.40	158.98	352.47	245.19									360.00
NS	May 24, 2005		168.50	N/A	163.90	153.45	336.29	239.93									350.00
Truro	May 30, 2005	Water	N/A	N/A	N/A	N/A											
NS	May 24, 2005	& Truck	N/A	N/A	N/A	N/A											
Halifax	May 30, 2005	In-Store	N/A	N/A	N/A	n/a	364.50		297.50		1,100.00	N/A					
NS (6)	May 24, 2005		N/A	N/A	N/A	n/a	349.75		297.50		1,100.00	N/A					

Source: Market Analysis Division, Agriculture and Agri-Food Canada; Thunder Bay prices are based on the Winnipeg Commodity Exchange (WCE) market close
 Contact: Valérie Chartier A/Statistical Clerk Telephone: (204) 983-0581 Fax: (204) 983-5524 Email: chartierv@agr.gc.ca
 N/A = not available
 USS1.00=CANS1.21.2584, closing date May 27, 2005

Footnotes: All prices in Canadian dollars per metric tonne based on survey respondents.

Grain grades (unless otherwise specified) are: Western or Eastern Feed Wheat, Feed Oats, No.1 Canada Western or Eastern Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn.
 Soybean Meal 48 % Protein. Canola Meal based on minimum standard of 35% Protein. Fish Meal: white fish and/or herring meal. Gluten Meal 60% Protein. Gluten Feed 21% Protein.

(1) Wheat 3CWRS (2) Canadian Corn #3 or #2 (3) US Corn (4) Fish Meal from West Coast 63% Protein (5) Fish Meal 60% Protein (6) Herring Fish Meal (7) Fraser Valley (8) Wheat & Barley (Basis - Cash Price WCE) (9) Oats 3CW

B. CASH PRICES AND REPLACEMENT VALUES

June 13, 2005

PRAIRIE GRAINS

Selected Points	Price Basis		This week 13-Jun-05	Last week 30-May-05	Month ago 16-May-05	Year ago 14-Jun-04
From: Thunder Bay(WCE) (2)	In-Store	Wheat	107.00	107.00	106.00	144.90
(CBOT)		Oat	135.25	135.25	132.00	150.75
(Lethbridge)		Barley	114.00	114.00	113.00	150.00
To: Bayport, ON (1)	In-store	Wheat	130.61	130.61	129.61	168.51
		Oat	N/A	N/A	N/A	N/A
		Barley	141.39	141.39	140.39	177.39
Montreal, QC (1)	In-store	Wheat	135.03	135.03	134.03	172.93
		Oat	N/A	N/A	N/A	N/A
		Barley	146.31	146.31	145.31	182.31
Moncton, NB	Truck via Halifax	Wheat	157.25	157.25	156.25	195.15
		Oat	N/A	N/A	N/A	N/A
		Barley	170.50	170.50	169.50	206.50
Truro, NS	Truck via Halifax	Wheat	151.22	151.22	150.22	189.12
		Oat	N/A	N/A	N/A	N/A
		Barley	168.00	168.00	167.00	204.00
Halifax, NS (1)	In-store	Wheat	142.28	142.28	141.28	180.18
		Oat	N/A	N/A	N/A	N/A
		Barley	154.30	154.30	153.30	190.30
Stephenville, NL	Track / Truck via Sydney	Wheat	205.63	205.63	204.63	243.53
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A
Melfort, SK		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Bayport, ON		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Montreal, QC		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Moncton, NB		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Truro, NS		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track / Truck via Sydney	Barley	N/A	N/A	N/A	N/A
Stephenville, NL		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A

Selected Points	Price Basis		This week 13-Jun-05	Last week 30-May-05	Last week 16-May-05	Year ago 14-Jun-04
Corn						
From: US Lake Port	On Board Vessel		102.30	109.11	101.14	142.38
To: Montreal, QC (1)	In-store		121.34	128.15	120.18	161.42
From: Chicago (IL)	Track		105.25	111.10	104.61	134.32
To: Montreal, QC	Track		134.11	139.95	133.47	163.18
From: Chatham, ON	Track		110.17	114.75	106.35	152.26
To: Montreal, QC	Track		134.04	138.62	130.22	176.06

Soymeal 48% Protein						
From: Hamilton, ON			233.97	230.88	209.36	320.55
To: Montreal, QC	Track		258.30	255.21	233.69	344.88
Moncton, NB	Track		277.05	273.96	252.44	363.63
Truro, NS	Track		280.27	277.18	255.66	366.85
Stephenville, NL	Track / Truck via Sydney		328.90	325.81	304.29	415.48

1. Prices include ONE month of storage and interest charges n/a = not available
2. Thunder Bay prices are based on the Winnipeg Commodities Exchange market close (Cash price)

Source: Market Analysis Division, Agriculture and Agri-Food Canada

Contact: Valérie Chartier: A/Statistical Clerk (204) 983-0581 Fax: (204) 983-5524 e-mail: chartierv@agr.gc.ca

Footnotes: All prices quoted in Canadian dollars per metric tonne.

Grain grades (unless otherwise specified) are: Canada Western Feed Wheat, Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn.

Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec.

Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable

A. SELLING PRICE OF BULK FEED INGREDIENTS AT SELECTED POINTS

June 13, 2005

SELECTED POINT	REFERENCE PERIOD	PRICE BASIS	(1) WHEAT	OATS	BARLEY	CORN	PRICE BASIS	SOYBEAN MEAL	CANOLA MEAL	MILL-FEEDS	MEAT MEAL	FISH MEAL	ANIMAL FAT	GLUTEN MEAL	GLUTEN FEED	FEED PEAS	DEHY ALFALFA	FEATHER MEAL
Vancouver (4) (7)	June 13, 2005	FOB	130.00	N/A	132.00	149.00		340.50	201.00	103.00		850.00	520.00					375.00
BC	June 6, 2005		130.00	N/A	132.00	152.50		345.00	199.00	103.00		850.00	520.00					375.00
Calgary (4)	June 13, 2005	FOB	110.00	N/A	114.00	140.00		332.25				975.00	555.00					350.00
AB	June 6, 2005		110.00	N/A	113.00	140.00		325.00				975.00	555.00					350.00
Saskatoon (4)	June 13, 2005	FOB	89.50	130.00	89.00	130.00		333.75	N/A			N/A	555.00			131.67		390.00
SK	June 6, 2005		89.00	117.50	88.00	134.00		327.50	N/A			N/A	555.00			126.67		390.00
Winnipeg (4) (9)	June 13, 2005	FOB	131.00	140.00	108.50	114.00		312.25	N/A			987.50	525.00					340.00
MB	June 6, 2005		130.00	140.00	107.50	118.00		305.00	N/A			987.50	525.00					340.00
Thunder Bay	June 13, 2005	In-Store	108.00	N/A	105.25													
ON	June 6, 2005		108.00	N/A	107.60													
Lake Ports	June 13, 2005	On Board				102.30												
USA (3)	June 6, 2005	Vessel				106.79												
Bay Ports	June 13, 2005	In-Store	139.00	205.00	138.00													
ON	June 6, 2005		139.00	205.00	138.00													
Chatham	June 13, 2005	Track				110.17												
ON	June 6, 2005					113.87												
Toronto (5)	June 13, 2005	N/A					FOB											
ON	June 6, 2005																	
Hamilton	June 13, 2005	N/A						233.97	#N/A									
ON	June 6, 2005							238.06	#N/A									
Eastern	June 13, 2005	FOB				106.00												
ON	June 6, 2005					109.88												
London	June 13, 2005	FOB																
ON	June 6, 2005																	
Port Colborne	June 13, 2005	FOB																
ON	June 6, 2005																	
Cardinal	June 13, 2005	FOB																
ON	June 6, 2005																	
Montreal (5)	June 13, 2005		137.00	150.00	139.00	115.00		296.82	217.60	53.33	235.00	850.00	457.50					370.00
QC	June 6, 2005		137.00	150.00	139.00	115.00	FOB	300.15	230.20	56.67	175.00	850.00	457.50					360.00
Trois-Rivières	June 13, 2005	In-Store	143.50		145.00	131.88												
QC	June 6, 2005		146.00		147.70	135.13												
St. Jean QC (2)	June 13, 2005	FOB	142.21	120.11	138.98	110.89		303.28										
St. Hyacinthe QC	June 6, 2005		141.54	120.59	138.92	112.01		306.77										
Quebec	June 13, 2005	In-Store	137.50	N/A	154.97	128.67		316.81	230.40									
QC	June 6, 2005		137.00	N/A	132.55	132.55		320.24	240.75									
Truro	June 13, 2005	Track	173.18		167.30	159.08		360.79	262.28									310.00
NS	June 6, 2005		173.10		166.40	159.60	FOB	360.68	245.19									360.00
Truro	June 13, 2005	Water	N/A	N/A	N/A	N/A												
NS	June 6, 2005	& Truck	N/A	N/A	N/A	N/A												
Halifax	June 13, 2005	In-Store	N/A	N/A	N/A	n/a		374.60		297.50		1,100.00	N/A					
NS	June 6, 2005		N/A	N/A	N/A	n/a		373.90		297.50		1,100.00	N/A					

Source: Market Analysis Division, Agriculture and Agri-Food Canada; Thunder Bay prices are based on the Winnipeg Commodity Exchange (WCE) market close US\$1.00=CANS1.2493, closing date June 10, 2005
 Contact: Valérie Charrier A/Statistical Clerk Telephone: (204) 983-0581 Fax: (204) 983-5524 Email: charrierv@agr.gc.ca
 N/A = not available

Footnotes: All prices in Canadian dollars per metric tonne based on survey respondents.

Grain grades (unless otherwise specified) are: Western or Eastern Feed Wheat, Feed Oats, No.1 Canada Western or Eastern Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn.
 Soybean Meal 48 % Protein. Canola Meal based on minimum standard of 35% Protein. Fish Meal: white fish and/or herring meal. Gluten Meal 60% Protein. Gluten Feed 21% Protein.

(1) Wheat 3CWSR (2) Canadian Corn #3 or #2 (3) US Corn (4) Fish Meal from West Coast 63% Protein (5) Fish Meal 60% Protein (6) Herring Fish Meal (7) Fraser Valley (8) Wheat & Barley (Basis - Cash Price WCE) (9) Oats 3CW



CANADA: GRAINS AND OILSEEDS OUTLOOK

May 31, 2005

Agriculture and Agri-Food Canada (AAFC) forecasts that total production of grains and oilseeds in Canada will decline by 5% from 2004-05, to 61 million tonnes (Mt) in 2005-06, based on Statistics Canada's (STC) survey of seeding intentions. The decline is due to reduced seeded area and expectations of lower yields compared to the above-normal levels achieved for most crops in 2004. Normal abandonment, trend yields and normal crop quality have been assumed for both western and eastern Canada. In western Canada, seeding progress has been near-normal, and is largely complete except for south-eastern Manitoba where conditions have been excessively wet. Soil moisture reserves are generally good in western Canada.

The STC survey of March 31 stocks supports expectations that total carry-out stocks of grains and oilseeds for 2004-05 will be up significantly from the previous year. AAFC's 2004-05 carry-out stock forecast has been raised by 5% from last month, largely due to reduced forecasts for exports of wheat, barley and canola. Total exports of grains and oilseeds are forecast to increase by 12% in 2005-06 due to increased supply and better quality. Canadian prices for all grains and oilseeds will remain pressured by lower world prices and the relatively strong Canadian dollar. Factors to watch are: Chinese import demand, growing conditions in the major grain trading regions, EU grain export subsidy levels, the US winter wheat condition, ocean freight rates and the Canada/US exchange rate.

WHEAT (ex-durum)

For 2005-06, total supply is expected to decline by 4%, with increased carry-in stocks largely offsetting lower production. Carry-in stocks are expected to rise by 28%, largely consisting of low quality wheat. Exports are forecast to increase by 1.0 Mt due to the increased supply of high quality wheat. Wheat feeding is expected to decrease but remain historically high due to the large carry-in stocks of feed wheat. Carry-out stocks are expected to fall by about 18%. The CWB Pool Return Outlook (PRO) for high quality wheat is lower than for 2004-05, due to expected higher supply, with returns for lower quality wheat expected to be relatively unchanged.

DURUM

Total supply is forecast to rise by more than 10%, despite a decline in production, due to sharply higher carry-in stocks. The increased stocks are due to the reduced supply of top-quality durum and weak export demand as a result of large crops in North Africa and the EU in 2004-05. Exports are expected to increase by 11% due to a higher supply of good quality durum and reduced EU production. Carry-out stocks are projected to increase further to a record 3.1 Mt. The CWB PRO for 2005-06 is down, largely due to the increased supply in North America.

BARLEY

Total supply is projected to increase by 3%, due to higher carry-in stocks resulting from the large production of low-quality barley in 2004-05. Exports are expected to increase by more than 30% as the supply of malting quality barley increases.

Carry-out stocks are expected to remain high historically and the off-Board feed barley price is forecast to be similar to 2004-05. Malting barley prices will be pressured by higher world production, with the CWB PRO for Special Select 2-row malting barley down by \$6/t from 2004-05 at \$174/t.

OATS

Total supply is expected to rise by 22% due to a combination of increased carry-in stocks and production. Carry-in stocks are forecast to be higher due to reduced exports in 2004-05 related to the poor quality of the crop. Exports are forecast to rise by 0.3 Mt due to larger supplies and improved crop quality. Carry-out stocks are expected to reach the highest level since 1978-79. Oat prices are forecast to decline, with a smaller premium for milling oats.

CORN

Domestic supply is expected to decline by 4% due to lower production and carry-in stocks. This is expected to be partly offset by a 9% increase in imports, following lower corn production in eastern Canada and lower feed wheat and barley production in western Canada. Food and industrial use is forecast to rise marginally due to increased ethanol production. Prices are expected to remain pressured by low US prices and the strong Canadian dollar.

CANOLA

Total supply is forecast to rise slightly, despite lower production, due to a sharp increase in carry-in stocks, which are forecast at 1.7 Mt, the 2nd highest on record. Domestic crush and exports for 2004-05 remain pressured by sharply higher world oilseed supply. In

2005-06, domestic crush is forecast to remain stable while exports increase. Carry-out stocks are projected to fall but remain burdensome. Prices are projected to decline marginally due to lower world soybean and soyoil prices.

FLAXSEED (excluding solin)

Total supply is expected to nearly double, reaching the highest level since 1999-00, due to sharply higher production. The increased production will be moderated by the tight carry-in stocks, as exports to the EU in 2004-05 remain strong despite sharply higher prices. Exports and total domestic use are forecast to rise in 2005-06. Carry-out stocks are forecast to more than double to near-record levels, pressuring prices to historically more normal levels.

SOYBEANS

Domestic supply is forecast to reach a record 3.5 Mt, despite a marginal decline in production, due to record carry-in stocks resulting from high imports and the slower crush pace in 2004-05. This is forecast to be partly offset by reduced imports in 2005-06. Exports are forecast to remain stable, while domestic crush increases to a normal level. Carry-out stocks are expected to remain burdensome. The price of soybeans is forecast to fall due to lower US and South American soybean prices.

FURTHER INFORMATION:

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CANADA: GRAINS AND OILSEEDS SUPPLY AND DISPOSITION

May 31, 2005

Grain and Crop (a)	Area		Yield t/ha	Production	Imports	Total	Exports	Food and	Feed,	Total Dom-	Carry-out	Average
	Seeded	Harvested			(b)	Supply	(c.)	Ind. Use (e)	& Dockage	estic Use (d)	Stocks	Price (f) \$/t
-----000 ha----- ----- thousand metric tonnes-----												
Durum												
2003-2004	2,483	2,459	1.74	4,280	1	5,900	3,427	252	220	684	1,788	224.21
2004-2005f	2,230	2,141	2.32	4,962	1	6,751	3,100	255	476	951	2,700	202 *
2005-2006f	2,354	2,300	2.08	4,790	1	7,441	3,500	260	431	891	3,100	194 *
Wheat Except Durum												
2003-2004	8,179	8,009	2.41	19,272	16	23,395	12,300	2,775	3,222	6,804	4,292	206.03
2004-2005f	8,170	7,722	2.71	20,898	10	25,200	11,500	2,770	4,700	8,200	5,500	186 *
2005-2006f	7,860	7,595	2.47	18,750	10	24,260	12,500	2,800	3,640	7,260	4,500	182 *
ALL WHEAT												
2003-2004	10,662	10,467	2.25	23,552	17	29,295	15,727	3,027	3,442	7,488	6,080	
2004-2005f	10,399	9,862	2.62	25,860	11	31,952	14,600	3,025	5,176	9,152	8,200	
2005-2006f	10,213	9,895	2.38	23,540	11	31,751	16,000	3,060	4,071	8,151	7,600	
Barley												
2003-2004	5,046	4,446	2.77	12,328	36	13,838	2,445	298	8,579	9,291	2,102	135.80
2004-2005f	4,678	4,050	3.26	13,186	100	15,388	1,900	300	9,553	10,288	3,200	100-120
2005-2006f	4,700	4,215	3.00	12,660	30	15,890	2,500	380	9,505	10,290	3,100	100-120
Corn												
2003-2004	1,265	1,226	7.82	9,587	2,108	12,805	346	2,415	8,890	11,317	1,143	137.18
2004-2005f	1,185	1,072	8.24	8,836	2,200	12,178	150	2,650	8,363	11,028	1,000	90-110
2005-2006f	1,144	1,120	7.66	8,580	2,400	11,980	150	2,700	8,315	11,030	800	90-110
Oats												
2003-2004	2,272	1,575	2.34	3,691	19	4,234	1,557	140	1,581	1,888	788	136.65
2004-2005f	1,995	1,315	2.80	3,683	25	4,496	1,500	130	1,574	1,896	1,100	120-140
2005-2006f	2,292	1,710	2.55	4,360	15	5,475	1,800	170	1,910	2,275	1,400	105-125
Rye												
2003-2004	246	147	2.22	327	0	357	171	47	60	125	60	104.44
2004-2005f	284	165	2.53	418	1	479	230	48	109	174	75	65-85
2005-2006f	228	145	2.14	310	1	386	150	48	101	166	70	65-85
Mixed Grains												
2003-2004	241	135	2.84	384	0	384	0	0	384	384	0	
2004-2005f	233	111	2.87	318	0	318	0	0	318	318	0	
2005-2006f	249	145	2.83	410	0	410	0	0	410	410	0	
TOTAL COARSE GRAINS												
2003-2004	9,070	7,529	3.50	26,317	2,162	31,618	4,519	2,899	19,495	23,006	4,093	
2004-2005f	8,374	6,713	3.94	26,441	2,326	32,860	3,780	3,128	19,918	23,705	5,375	
2005-2006f	8,612	7,335	3.59	26,320	2,446	34,141	4,600	3,298	20,241	24,171	5,370	
Canola												
2003-2004	4,736	4,689	1.44	6,771	243	7,908	3,754	3,390 ¹	113	3,545	609	387.04
2004-2005f	5,319	4,938	1.57	7,728	150	8,487	3,200	3,100 ¹	417	3,652	1,725	285-325
2005-2006f	4,886	4,767	1.41	6,725	200	8,650	3,400	3,100 ¹	555	3,700	1,550	280-320
Flaxseed												
2003-2004	745	728	1.04	754	22	903	609	n/a	n/a	202	93	382.13
2004-2005f	728	528	0.98	517	35	645	425	n/a	n/a	140	80	475-525
2005-2006f	868	846	1.21	1,025	20	1,125	700	n/a	n/a	245	180	320-360
Soybeans												
2003-2004	1,051	1,047	2.17	2,268	587	3,000	914	1,500 ¹	319	1,947	140	395.04
2004-2005f	1,229	1,178	2.59	3,048	400	3,588	1,000	1,450 ¹	488	2,063	525	225-265
2005-2006f	1,225	1,211	2.47	2,990	250	3,765	1,000	1,750 ¹	505	2,365	400	200-240
TOTAL OILSEEDS												
2003-2004	6,531	6,464	1.52	9,794	850	11,813	5,277	n/a	n/a	5,693	841	
2004-2005f	7,277	6,643	1.70	11,293	585	12,719	4,625	n/a	n/a	5,765	2,330	
2005-2006f	6,979	6,823	1.57	10,740	470	13,540	5,100	n/a	n/a	6,310	2,130	
TOTAL GRAINS AND OILSEEDS												
2003-2004	26,263	24,461	2.44	59,663	3,029	72,724	25,523	n/a	n/a	36,187	11,014	
2004-2005f	26,050	23,219	2.74	63,595	2,922	77,531	23,005	n/a	n/a	38,621	15,905	
2005-2006f	25,805	24,053	2.52	60,600	2,927	79,432	25,700	n/a	n/a	38,632	15,100	

(a) August - July crop year except corn and soybeans which are September - August.

(b) Excludes imports of products.

(c.) Includes exports of products for wheat, oats, barley, and rye. Excludes exports of oilseed products.

(d) Total = F&I + FWD + Seed Use

(e) Industrial use excludes flaxseed due to data confidentiality.

(f) Crop year average prices: No.1 CWRS 11.5% protein and No.1 CWAD 11.5% (CWB final price I/S St. Lawrence/Vancouver), Barley (No. 1 feed, WCE, cash, I/S Lethbridge), Corn (No.2 CE, cash, I/S Chatham), Oats (US No. 2 Heavy, CBoT nearby futures); Rye (No.2 Canada, Elevator bids at select western delivery points); Canola (No. 1 Canada, WCE, cash, I/S Vancouver); Flaxseed (No. 1 CW, WCE, cash, I/S Thunder Bay); Soybeans (No. 2, I/S Chatham).

* CWB Pool Return Outlook (PRO) - May 26, 2005

^{1/} Source for Food and Industrial Use is based on data from the Canadian Oilseed Processors Association.

f: forecast - Agriculture and Agri-Food Canada - May 31, 2005

Source: Statistics Canada, Cereals and Oilseeds Review Series, Cat. No. 22-007



CANADA: PULSE AND SPECIAL CROPS OUTLOOK

May 31, 2005

For 2005-06, total area seeded to pulse and special crops in Canada is forecast to decrease by 6%, from 2004-05, as increases for lentils, dry beans, sunflower seed and chickpeas are more than offset by decreases for dry peas, mustard seed and canary seed. Statistics Canada's (STC) seeding intentions survey, conducted during March 14-31 and released on April 21, provided estimates for most pulse and special crops by province, but in some cases the area seeded has been forecast by AAFC. The actual seeded areas may differ from the intentions due to changes in the market outlook and expected prices, producer reaction to the STC seeding intentions report and soil moisture conditions at the time of seeding. Overall, seeding progress has been at a normal rate and is mostly complete except for dry beans, sunflower seed and buckwheat. These crops are normally seeded later, but in eastern Manitoba there were additional delays caused by wet weather. It is assumed that precipitation will be normal for the growing and harvest periods. Trend yields are assumed for both western and eastern Canada, as soil moisture reserves are generally normal, although there are dry areas in southern Alberta. It has been assumed that the abandonment rate and average quality will be normal.

Total production in Canada is forecast to decrease by 12%, from 2004-05, to 4.63 million tonnes (Mt). Total supply is expected to increase marginally to 5.81 Mt as higher carry-in stocks more than offset the decrease in production. Exports are forecast to increase moderately due to stronger demand, while domestic use is expected to be similar to 2004-05 because higher average quality reduces dockage and non-traditional use. Carry-out stocks are expected to decrease. Average prices, over all types, grades and markets, are forecast to increase for chickpeas, mustard seed and canary seed, decrease for lentils, dry beans and sunflower seed, and be the same for dry peas and buckwheat. However, prices are expected to be sensitive to any production problems. The main factor to watch will be precipitation during the summer and fall in Canada. Other factors to watch are the exchange rates of the Canadian dollar against the US dollar and other currencies, ocean shipping rates and growing conditions in major producing regions, especially United States, European Union, Turkey, India and Australia.

DRY PEAS

For 2005-06, production and supply are forecast to decrease due to a 2% fall in seeded area and lower trend yields. Production is expected to decrease for yellow, green and other types. World supply is expected to decrease marginally to 12.7 Mt and use is forecast to increase slightly, resulting in lower carry-out stocks. Canadian exports are expected to remain stable, but domestic use is forecast to increase due to stronger demand in the feed sector. Carry-out stocks are forecast to decrease, with a s/u of 13%. The average price, over all types, grades and markets, is forecast to be the same as in 2004-05, in line with the relatively stable world supply.

LENTILS

For 2005-06, production is forecast to decrease, as a 4% rise in seeded area is more than offset by lower trend yields. Production is forecast to decrease for large, medium and small green types, but increase for the red type. Supply is expected to increase as higher carry-in stocks more than offset the fall in production. World supply is forecast to increase by 6% to 4.1 Mt due to higher carry-in stocks. Although world use is expected to increase, carry-out stocks are forecast to rise. Although Canadian exports are expected to increase due to higher demand, carry-out stocks are forecast to rise, with a s/u of 31%. The average price, over all types and grades, is forecast to decrease slightly from 2004-05, as pressure from higher world supply is mostly offset by higher average quality.

DRY BEANS

For 2005-06, production and supply are forecast to increase, due to an 18% rise in seeded area, lower abandonment and higher trend yields. Production is expected to increase for all classes, including white pea,

pinto, black, dark and light red kidney, cranberry, Great Northern, small red and pink. In the US, production is forecast to increase by 37% to 1.07 Mt, while supply increases by only 10% to 1.15 Mt due to lower carry-in stocks. Canadian exports are forecast to increase due to higher supply. Carry-out stocks are expected to increase, with a s/u of 5%. The average price, over all classes and grades, is forecast to decrease due to the higher supply.

CHICKPEAS

For 2005-06, production is forecast to increase, as a 15% higher seeded area and lower abandonment more than offset lower trend yields. Production is expected to increase mainly for the large kabuli type, with only minor increases for the small kabuli and desi types. Supply is forecast to decrease due to lower carry-in stocks. World supply is expected to decrease marginally to 8.8 Mt. Canadian exports are forecast to remain stable, while carry-out stocks remain at a low level. The average price, over all types, grades and sizes, is forecast to increase due to higher average quality.

MUSTARD SEED

For 2005-06, production and supply are forecast to decrease because of a 26% fall in seeded area and lower trend yields. Production is expected to decrease for all types, yellow, brown and oriental. Exports are forecast to rise due to higher demand and carry-out stocks are forecast to decrease, with a s/u ratio of 62%. The average price, over all types and grades, is expected to increase due to the lower supply.

CANARY SEED

For 2005-06, production is forecast to decrease due to a 50% fall in seeded area. World supply is forecast to decrease by 14%

to 350,000 t. Canadian exports are expected to increase due to higher demand and carry-out stocks are forecast to decrease, with a s/u ratio of 45%. The average price is forecast to increase slightly because of the lower supply.

SUNFLOWER SEED

For 2005-06, production and supply are forecast to increase due to a 36% rise in seeded area, lower abandonment and higher trend yields. Production is expected to increase for both types, confectionery and oilseed. US supply is forecast to increase by 48% to 1.62 Mt. World supply is expected to increase slightly to 27.9 Mt. Canadian exports and domestic use are forecast to increase because of the higher supply. Carry-out stocks are expected to increase, with a s/u of 12%. The average price, over both types and all grades, is forecast to decrease because of the higher supply in US and Canada.

BUCKWHEAT

For 2005-06, Canadian production and supply are forecast to increase, with a stable seeded area, lower abandonment and higher trend yields. Exports are forecast to increase and carry-out stocks are expected to be very low. The average price is forecast to be the same as in 2004-05, as support from lower world supply is offset by higher Canadian supply.

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CANADA: PULSE AND SPECIAL CROPS SUPPLY AND DISPOSITION

May 31, 2005

Grain and Crop Year (a)	Area		Yield t/ha	Production	Imports (b)	Total Supply	Exports (b)	Total Domestic Use (d)	Carry-out Stocks	Average Price (e) \$/t
	Seeded	Harvested								
	000 ha					thousand metric tonnes				
Dry Peas										
2001-2002	1,344	1,285	1.57	2,023	27	2,245	1,381	589	275	190
2002-2003	1,297	1,050	1.30	1,365	41	1,681	628	743	310	210
2003-2004	1,303	1,271	1.67	2,124	24	2,458	1,316	937	205	175
2004-2005f	1,388	1,345	2.48	3,338	20	3,563	1,900	1,063	600	120-140
2005-2006f	1,362	1,330	2.10	2,790	20	3,410	1,900	1,110	400	115-145
Lentils										
2001-2002	708	664	0.85	566	6	828	478	219	131	320
2002-2003	601	387	0.91	354	9	494	320	119	55	390
2003-2004	554	536	0.97	520	5	580	368	174	38	420
2004-2005f	778	750	1.28	961	7	1,006	530	326	150	300-320
2005-2006f	810	785	1.16	910	5	1,065	560	250	255	290-320
Dry Beans										
2001-2002	184	175	1.70	298	42	390	263	97	30	725
2002-2003	230	219	1.89	414	40	484	297	117	70	445
2003-2004	167	167	2.13	356	31	457	344	83	30	495
2004-2005f	163	126	1.75	220	30	280	210	65	5	650-670
2005-2006f	193	189	1.85	350	30	385	290	75	20	520-550
Chickpeas										
2001-2002	486	467	0.97	455	12	497	146	211	140	380
2002-2003	221	154	1.01	156	9	305	105	140	60	300
2003-2004	63	63	1.08	68	2	130	74	36	20	330
2004-2005f	47	39	1.31	51	5	76	35	36	5	370-390
2005-2006f	54	52	1.15	60	5	70	35	30	5	400-430
Mustard Seed										
2001-2002	166	158	0.66	105	3	213	171	n/a	33	685
2002-2003	289	255	0.60	154	9	196	114	22	60	595
2003-2004	340	328	0.69	226	2	288	121	75	92	390
2004-2005f	317	304	1.00	305	2	399	135	79	185	290-310
2005-2006f	233	226	0.80	180	2	367	150	77	140	310-340
Canary Seed										
2001-2002	170	163	0.70	114	0	184	134	20	30	660
2002-2003	287	227	0.78	176	0	206	164	22	20	575
2003-2004	251	243	0.93	226	0	246	170	n/a	67	345
2004-2005f	356	318	0.94	300	0	367	175	37	155	220-240
2005-2006f	179	174	0.95	165	0	320	180	40	100	225-255
Sunflower Seed										
2001-2002	73	67	1.55	104	29	179	92	65	22	355
2002-2003	100	95	1.65	157	21	200	105	60	35	440
2003-2004	119	115	1.30	150	16	201	96	80	25	405
2004-2005f	87	59	0.92	54	25	104	40	59	5	480-500
2005-2006f	119	112	1.47	165	15	185	90	75	20	370-400
Buckwheat										
2001-2002	16	14	1.14	16	1	17	6	8	3	325
2002-2003	12	12	1.00	12	1	16	6	7	3	340
2003-2004	9	9	1.11	10	1	14	5	7	2	355
2004-2005f	9	7	0.71	5	1	8	3	5	0	345-365
2005-2006f	9	9	1.00	9	1	10	4	6	0	340-370
Total Pulse And Special Crops (c.)										
2001-2002	3,131	2,993	1.23	3,681	120	4,553	2,671	1,218	664	
2002-2003	3,025	2,399	1.16	2,788	130	3,582	1,739	1,230	613	
2003-2004	2,797	2,732	1.35	3,680	81	4,374	2,494	1,401	479	
2004-2005f	3,136	2,948	1.78	5,234	90	5,803	3,028	1,670	1,105	
2005-2006f	2,959	2,877	1.61	4,629	78	5,812	3,209	1,663	940	

(a) August-July crop year.

(b) Excludes products.

(c.) Includes Pulse Crops (dry peas, lentils, dry beans, chick peas) and Special Crops (mustard seed, canary seed, sunflower seed, buckwheat)

(d) Includes food, feed, seed, waste and dockage.

(e) Producer price, FOB plant. Average over all types, grades and markets.

f: forecast, Agriculture and Agri-Food Canada, May 31, 2005

n/a Total domestic use is calculated residually. Based on current data on exports and carry-out stocks, it appears that Statistics Canada's production estimate may be low or carry-out stocks high resulting in a very low residual.

Source: Statistics Canada and industry consultations.



Bi-weekly Bulletin

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VEGETABLE OILS: Competition in a Changing Market

Over the past decade the world market for vegetable oil (veg-oil) has expanded sharply. This expansion was largely driven by the increased production of palm oil in Malaysia and Indonesia, higher soyoil production in Brazil, Argentina and China and the rise in veg-oil consumption in China and India. World trade also grew sharply since 1994-95 as international trade rules were liberalized and industry invested heavily in the sector. Over the medium term, the world veg-oil sector is projected to continue expanding, although, at a slower pace. This issue of the Bi-Weekly Bulletin highlights issues affecting the soyoil, palm oil, canola/rapeoil and sunflowerseed oil sectors and discusses some factors that will influence the continued growth of the world veg-oil market.

The world market for veg-oil has expanded sharply. Production of the seven major edible oils (soyoil, palm oil, canola/rape oil, sunflowerseed oil, cottonseed oil, peanut oil, coconut oil, olive oil and palm kernel oil) has increased by over one half since 1994-95 to about 107 million tonnes (Mt) forecast for 2004-05.

Over the past ten years, the world veg-oil market has become slightly more concentrated. In 1994-95, production by commodity was: soyoil 30%, palm oil 22%, canola/rape oil, 15% and sunflowerseed oil 12%, with the remaining oils accounting for 21% of the market. By 2004-05, the four major veg-oils accounted for 82% of the market. Palm oil has expanded its market share by one-third, largely at the expense of sunflowerseed oil which declined by one-third. Soyoil and canola oil market share remained constant while the remaining oils accounted for 18% of the total world veg-oil output.

Expansion shifting to emerging economy countries

The growth in the world veg-oil market has occurred at the same time as production was shifting from the northern hemisphere to the southern hemisphere and the expansion in consumption was shifting from North America and Europe to Asia. In 1994-95, world production of vegetable oils was dominated by North America and the European Union (EU) which, between them, accounted for about 30% of the total world production. By 2004-05, the output from these two regions is expected to make up only 23% of the world's veg-oil output.

Since 1994-95, the **production** of veg-oils in the US and the EU ranged from 14 Mt-15 Mt per year, each. By contrast, in China the production of edible oils nearly doubled as it surpassed the US to become the world's largest veg-oil producing country (although in part this may reflect an improvement in

collecting production data as processors increased scale and size). Similarly, in Brazil and Argentina, soyoil production increased by one-half and nearly doubled, respectively. In Malaysia, palm oil production rose by two-thirds as the major investment in replanting plantations began to pay off. In Indonesia, palm oil output rose by two and one half times.

During the same period, **consumption** of veg-oils increased sharply in several emerging economy countries in response to a rise in population growth and disposable incomes. While veg-oil usage also rose significantly among the developed countries, the net effect was a geographical re-distribution of the veg-oil consumption.

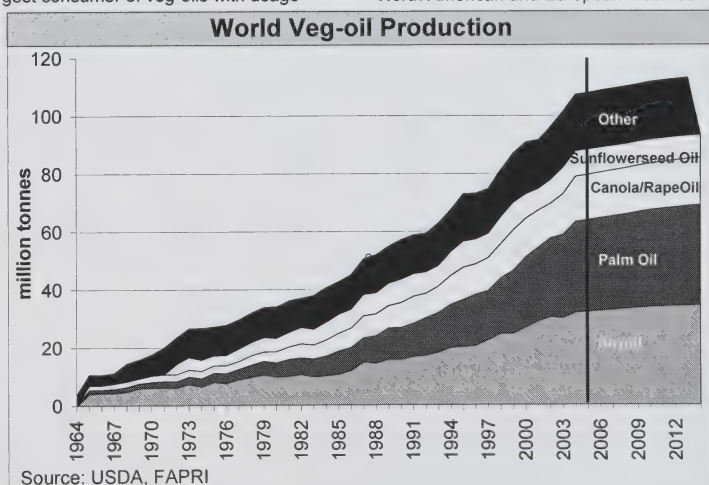
Since 1994-95, consumers in both the US and the EU-15 increased their veg-oil consumption by about one-quarter, while Chinese disappearance nearly doubled. India has emerged as the world's fourth largest consumer of veg-oils with usage

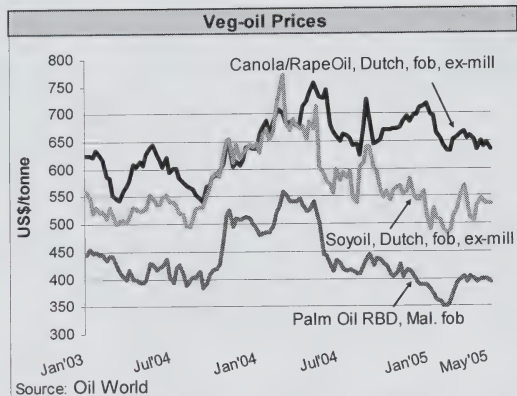
rising by more than one-half over the past decade. While, smaller in size, consumption in countries such as Pakistan, Malaysia, Indonesia and Mexico has also increased sharply

Growth based on a number of factors

The growth in the world veg-oil market has been impacted by numerous changes in national economic, agricultural and trade policies, economic and financial crises and currency fluctuations. The cumulative impact of these changes was to remove a number of restrictions to allow crushers to respond to increased consumer demand by the increasing production and trade of veg-oils among a number of countries.

Loosely speaking, the growth of the vegetable oil industry began in the early to mid-1970s when a series of events, such as the failure of the Peruvian anchovy catch, inflation in agricultural commodity prices, improved processing technology and rising North American and European incomes





raised the demand for vegetable oils. This growth was further supported during the 1970s when the US boycott on soybean sales to the former Soviet Union had the unintended result of expanding soybean production in South America.

Since 1994-95, veg-oil production increased sharply when, as the result of a series of policy changes and currency fluctuations, the processing industry responded to growing demand by expanding processing facilities in emerging economy countries. The sudden devaluation of the Malaysian Ringgit, Brazilian Real and Argentine Peso, made the production of palm oil, soybeans and soyoil more attractive in the respective countries. The expansion in veg-oil production in these

domestic production of veg-oils fell short of domestic demand and China had to depend heavily on imports to make up the shortfall. With China being largely self-sufficient in soybean meal, the government imposed a 13 % value added tax (VAT) on meal imports. This is supporting the domestic production of soyoil. Given the relatively low oil content in soybeans, China then increased imports of soyoil to satisfy the unfulfilled domestic demand, to the point where the country accounts for 30% of the world trade in veg-oil. Per-capita consumption of veg-oils is only 15 kg compared to 34.7 kg in the US and 20 kg in Mexico. This suggests that there is ample room for growth in the Chinese market and that the country will remain a major importer of veg-oils for the foreseeable future.

countries was facilitated by the availability of outside credit at the same time domestic credit was tight. In South America it has been estimated that industry traders cover about 50% of the financing required for the soybean crop, especially in the frontier regions where opening costs are much higher.

While production was expanding, the demand for veg-oils was increasing in China. Although China is the world's third largest oilseed producer,

The spurt in world trade was supported, in part over the past decade, by the strength of the US dollar against most major currencies. This gave emerging economy countries a competitive advantage by artificially reducing prices compared to US soybeans and soyoil. Following the 18% devaluation of the US dollar against the European Euro since January 2003, along with other major currencies, although it remains pegged to the Chinese renminbi, this form of support for veg-oil production and exports to emerging economy countries has been reduced.

Soyoil: Value and versatility supports growth.

Over the past decade, the production of soyoil has increased by 60%. Although the US remains the largest producer of soyoil, output increased by only 20% since 1994-95, despite a 25% increase in the supply of raw soybeans during that period. Similarly, the production of soyoil remained stagnant in the EU-25 at around 2.5 Mt, annually. The major growth in soyoil production occurred in China, Brazil and Argentina which increased the official soyoil output by 450%, 50% and by over 300%, to 5.2 Mt, 5.7 Mt and 4.7 Mt, respectively.

The growth in soyoil consumption was led by the tripling of Chinese soyoil disappearance to 7.5 Mt annually for 2004-05. The US remains the world's largest consumer of soyoil using slightly under 8 Mt annually. Brazil, India and the EU-25 consume about 3 Mt, 2.5 Mt and 2 Mt, respectively. The remainder of the soyoil is consumed among a widely dispersed number of countries.

Largely due to the expansion of soyoil production in South America and the growth in Chinese demand, trade in soyoil increased by 60% over the past ten years. The growth in trade was facilitated by changes in Chinese import regulations, low ocean freight rates and by the 72,000 tonnes per day expansion in oilseed crushing capacity in Brazil and Argentina.

The expansion of the world soyoil sector is forecast to continue but at a slower pace. The production and consumption of soyoil is forecast to rise by about 8% over the medium term. The rate of growth will be affected by how fast the Brazilian soybean sector expands with another 90 million hectares reportedly available for seeding, expansion will be limited by economic and infrastructure constraints. Recent events suggest that the rate of expansion will decrease for 2005-06 because of low market prices for soybeans in combination with higher input costs.

A recent cost of production analysis for soybeans indicates that Argentina and Canada have a cost advantage in growing and delivering soybeans into the EU. While Brazilian producers have low land costs,

A selected history of events affecting world veg-oil production and trade

1970s	Malaysia began replanting rubber plantations into palm oil Peruvian anchovy catch failed World grain and oilseed prices rose sharply US embargoed soybean exports -- soybean planting began in Brazil
1980s	Soyoil production expanded in US Soybean production expanded in South America
1994	Brazil implemented Real Plan, including removal from market management
1995-96	Brazil reformed agricultural policy/removed export tax on soybeans Argentina taxed soybean exports but offered rebates on soyoil and soymeal US FAIR Act removed program restrictions on soybeans, introduced marketing loan rates and loan deficiency payments for oilseed crops
1997-98	Asian financial crisis' and devaluation of the Malaysian Ringgit Devaluation of the Brazilian Real
1998-99	China enforced regulations governing veg-oil imports Agenda 2000, hectare limits established under Blair House Agreement gradually being phased out
2000-01	BSE EU ban on animal meal China entered World Trade Organization Devaluation of the Argentine Peso
2003-04	EU expansion EU decoupled grain and oilseed production from payment Devaluation of the US Dollar EU biofuel directive/EU energy taxation directive Trans-fat issues/Avian Bird Flu
Source: AAFC, based on a Survey of Documents	

the cost of fertilizer is increasing and they are still constrained by high transport costs in getting the soybeans to port. US soybean producers have the highest production cost per tonne because of the high price of land.

Palm Oil: Driving Growth Through Low Prices

Since 1994-95, world production of palm oil has expanded sharply, to the point where it slightly trails, and is expected to surpass the output of soyoil. Production is highly concentrated in Malaysia and Indonesia. In Malaysia, palm oil production has nearly doubled over the past ten years because of the large scale increase in harvested area. With suitable area for further expansion becoming scarce, the expansion in palm oil production has shifted to Indonesia which has almost tripled its output over the past ten years. The growth in the palm tree area has been driven by the low operating costs compared to competing veg-oils. Investing in palm trees is capital intensive with a five year lag before production begins, but subsequent costs largely involve the cost of harvesting and on-going fertility.

The consumption of palm oil has increased sharply since 1994-95. The major consuming countries; India, the EU-25, China, Indonesia, Malaysia and Pakistan account for about 60% of disappearance with the remainder widely dispersed among numerous countries. As the major user, India consumes 13% of the world's palm oil while China uses 11%. Consumption is concentrated in the Asian countries, with the exception of the EU which is increasing imports to offset the shortage of rape-oil in response to shortages caused by increased bio-fuel consumption.

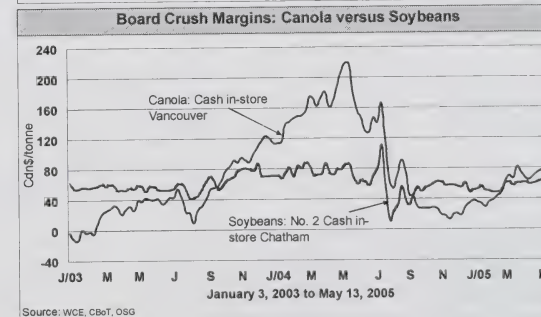
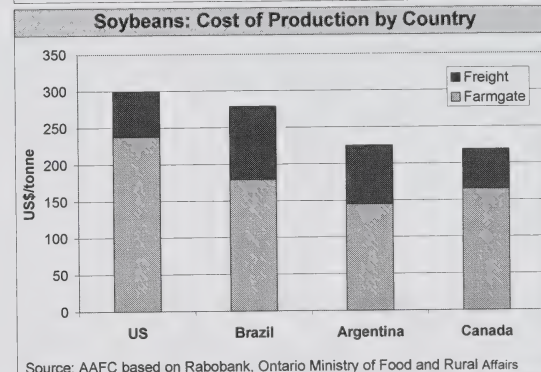
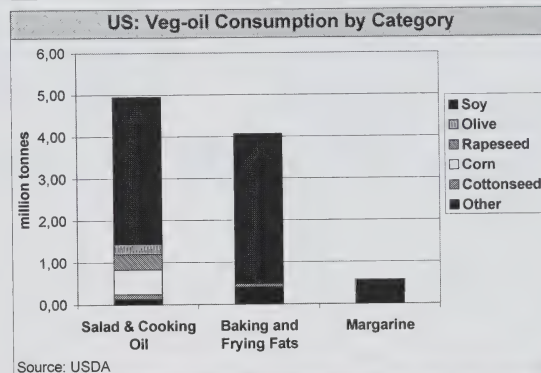
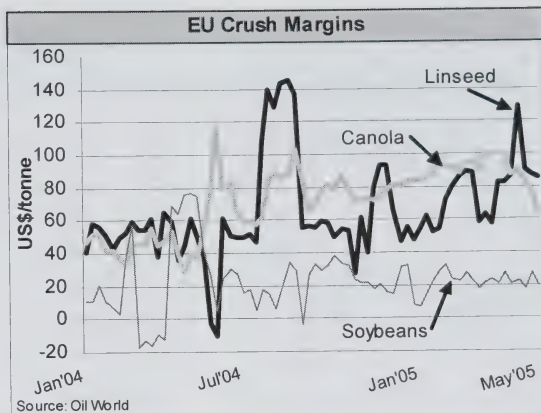
In response to the concentrated production of palm oil and its diversified usage, about two-thirds of production is exported with palm oil accounting for over one-half of the world trade in veg-oils. Estimates derived by industry analysts suggest that the international palm oil prices trade at up to a US\$120/t discount to soyoil due to differential tariffs in India, of 66% for soyoil and 45% for palm oil. Despite importing only 18% of the world's palm oil and 11% of the world's soyoil, the widely quoted analysis states that this differential in tariffs is sufficient to pressure world palm oil prices.

The expansion in world palm oil production is forecast to continue at a slower pace over the medium term as planting of new trees is slowed by low veg-oil prices. Output is forecast to rise by 10% by 2014-15.

A Roundtable on Sustainable Palm Oil Production was recently announced as a joint EU-Malaysian environment preservation initiative to support the production of palm oil in ecologically sensitive regions. Some of the projects approved under the Roundtable were: (1) to construct a functional Identity Preserved system for sustainable Palm Oil usage in European margarine, (2) building Palm Oil Supply Chains and (3) to fund a project to reduce tiger attacks on livestock and humans. In addition, Malaysia recently announced success in cloning palm oil trees, which could increase yields by up to 30% and in the production of Red Palm Oil, which is low in saturated fat and does not require hydrogenation.

Canola/rape oil: Premium-priced and focused on health and biofuel

Since 1994-95, world production of canola/rape oil has increased by about 50% on steady growth. The largest increase occurred in China where output rose by 80% to about 4.5 Mt expected for 2004-05. Smaller increases occurred in the EU-25 and Canada where production increased by about 25% respectively. Production of canola/rapeoil in India and Japan remained stable or decreased slightly.



China had the largest increase in canola/rapeoil **usage** and for 2004-05 is expected to consume 4.8 Mt of canola oil. In the EU-25, the consumption of canola/rapeoil is also expected to reach 4.8 Mt for 2004-05, with most of the rise due to its increased use in biofuels. World **trade** in canola/rapeoil declined by about one-third largely due to decreased EU exports. World production of canola/rapeoils is projected to increase marginally over the **medium term**.

Over the past decade, canola/rapeoil had positioned itself as a healthy veg-oil, low in saturated fats, and good for human health. During the early to mid 2000s, consumer concerns over **trans-fatty acids**, generated when the canola/rapeoil is hydrogenated, challenged the canola/rapeoils healthy image. During the same time frame, **biofuel** production began to expand rapidly in the EU-25 as the Union sought to reduce its dependence on fossil fuels and to find a market for oilseeds grown on set-aside land. Since 2000, the production of biodeisel quadrupled in the EU and is estimated to

account for 32% of EU-25 rapeoil consumption. In Canada, biofuel production remains at a standstill, with large scale government support required to build a biodiesel plant in western Canada.

Sunflowerseed oil: pressured by high costs

Similar to canola/rapeseed, sunflowerseed contains 50% oil and tends to be crushed close to its growing area. Prices are determined by the world vegetable oil market, unlike the preceding vegoils, there is no one country that dominated production. Unlike the previous three vegoils, the **production** of sunflowerseed oil has remained stable at slightly under 9 Mt for the past decade. In order of size, the largest producers of sunflowerseed oil are the EU-25, Russia, Ukraine, Argentina and the combined countries of central Europe. The **consumption** of sunflowerseed oil is highly dispersed, with the EU-15 and Russia being by far the largest consumers, with Turkey, Ukraine, India, Romania, South Africa and Argentina also being significant

users. The demand for sunflowerseed oil is expected to grow moderately in the EU-25 and Eastern Europe while consumption in other regions declines. Ukraine is expected to surpass Argentina as the world's largest sunflowerseed oil exporter while Russia will shift from being an importer to an exporter of sunflowerseed oil.

Sunflowerseed oil is perceived as a high quality vegetable oil and trades at a premium to other veg-oils. However, future growth is expected to be constrained as it lacks the competitive cost structure of competing soyoil and palm oil. Sunflowerseed oils is likely to command only a small portion of the world veg-oil market.

Competitive strategies include price and product differentiation

Over the past decade, the world veg-oil market became more competitive with the major veg-oils increasingly differentiating themselves and, in the process, many are repositioning and re-imaging themselves.

How the Oilseed Industry is dealing with trans-fatty acids

Stage/method	Developer/company	Characteristics	Commercial Brands
Seeds			
High Oleic canola	Cargill Dow AgroSciences	Increases resistance to oxidation and heat	Clear Valley™ and Odyssey™ oils Transend™ shortening Natreon™
Mid-oleic sunflower	Almost all sunflower seed companies	No hydrogenation and less than 10% saturated fat 65% monounsaturated; 26% polyunsaturated; 9% saturated	
High-oleic sunflower		High Stability. No need for hydrogenation. At least 77% monounsaturated	High Oleic Sunflower Oil™
Low linolenic soybeans	Iowa State University Monsanto Pioneer	Eliminates need for hydrogenation	VISTIVE™
Palm Oil	Loders Crokian Cargill	Premise: Consumers are more concerned with trans fatty acid than with saturated acids.	Sanstrans™-frying oils and bakery shortenings TransAdvantage line
Process			
Enzyme inter-esterification	ADM	Rearranges fatty acids on the glycerol backbone. Products are similar to those obtained via hydrogenation but has little or no TFA	NovaLipid™line
Use of emulsifiers	Danisco	Reduces TFA content and allows the use of non-hydrogenated oil	Benefat salatrin™
Use of stearic acid	Degussa Food Ingredients	Fully hydrogenated acid blended with soyoil and short chain organic acids	Benefat salatrim™
Use of antioxidants		Allows use of unsaturated oils without compromising product stability	Emulzym™
Improving hydrogenation	Bunge	Use of a different catalyst and set of conditions. Reduces TFA content by 75%.	Vream Right™ – all purposed shortening Vreamay Right™ –cake and icing shortening
	Southern Illinois University	Hydrogenation under low temperatures. Reduces TFA content by 80%	
End Product			
Production and marketing TFA-free/reduced products	Most consumer product companies as well as fast-food chains	Minimizes TFA in the final product	n/a
Source: Rabobank			

CANADA: CANOLA OIL SUPPLY AND DISPOSITION			
August-July Crop year	2003- 2004	2004- 2005e	2005- 2006f
	... thousand tonnes ...		
	CANOLA SEED		
Crush	3,390	3,100	3,100
	CANOLA OIL		
Carry-In Stocks	25	30	30
Production	1,395	1,342	1,302
Imports ^{/1}	10	10	10
Total Supply	1,430	1,382	1,342
Exports ^{/1}	1,015	900	850
Domestic Use ^{/2}	385	452	462
Total Use	1,400	1,352	1,312
Carry-Out Stocks	30	30	30

/1 Includes crude and refined oil but excludes hydrogenated oil and processed products (margarine, salad oil and shortening).
/2 Domestic Use = Total Supply minus Exports minus Carry-Out stocks. Domestic use includes exports of processed products.
e: estimate, AAFC May 2005
f: forecast, AAFC May 2005
Source: Statistics Canada

Overall, **palm oil** is regarded as the price leader and is favored for its use in baked goods with the drawback of being solid at room temperature and high in saturated fats. Further growth is expected as consumer concerns over saturated fats decline and palm oil expands its geographical reach into Europe from Asia. However, as it is produced in a small geographic region, it remains vulnerable to localized events such as drought, disease or civil unrest.

By contrast, **soy oil** is higher priced than palm oil and is well regarded for its assurance of supply and its adaptability. For example, in the US it is used in a wide variety of end products from salad and cooking oils, baking and frying fats and in margarine. As the middle priced oil, soy oil remains vulnerable to competition from the lower priced palm oil and to the health concerns expressed about all veg-oils. Given the large area of land available for conversion into soybean fields in Brazil, the outlook for further expansion is bright. Currently, established crushers in industrialized nations are expected to face increased competition from palm oil and from newly expanded soy oil processors in developing nations.

Canola/rape oil has historically commanded a price premium in the world vegoil market compared to the previous two veg-oils largely on the perceived health benefits of being low in saturated fats. With the expansion of the world veg-oil sector, competition from other veg-oils has increased while the output of canola/rape oil has remained stable. The usage of canola/rape oil is projected to grow with the expansion of biodiesel usage in the EU-25 with further growth in North America awaiting the development of low-lin, high-

oleic, varieties. Canola/rape oil faces the challenge of retaining its image as a "healthy" oil as concerns over trans fats rise while falling over saturated fats.

Canada: Outlook for canola oil and soy oil

Canada produces about 1.6 Mt of veg-oil annually, of which 1.3 Mt is canola oil and 0.3 Mt is soy oil. The majority of the canola oil is produced in western Canada and all of the soy oil is produced in eastern Canada. Since 1994-95, the production of soy oil and canola oil have each increased by 30%, due to increased crush capacity and seed supplies.

For 2004-05, Canadian crushers have had to contend with unusually high chlorophyll levels in the canola which slows down the refining process and

increases processing costs. The high chlorophyll levels were a result of the delayed seeding, unusually cool growing condition and mid-August frost that struck a wide swath of the Canadian prairie region. According to the Canadian Grain Commission harvest survey, 38% of the canola samples submitted graded No. 2 or lower compared to the less than 10% received during a typical year. The problem was most severe in Saskatchewan where 47% of the samples received graded number No. 2 or lower.

For 2005-06, canola oil production is forecast to remain stable at 1.3 Mt, as crushers maintain the crush pace in response to increased supplies of high quality canola, reduced competition from burdensome US soy oil supplies and increased world demand for veg-oils in general. This forecast assumes a conversion factor of 0.42 and a normal quality crop. Crush margins are expected to remain near current levels as pressured veg-oil prices offset an expected decline in raw seed prices. Crush capacity utilization is expected to remain at about 75% for canola and around 80 % for soy oil production. Canadian canola oil exports are expected to fall to about 0.85 Mt, with the US representing about three quarters of total trade. The price of canola oil crude, in-store Vancouver, is forecast to average C\$700-750/t for 2005-06, versus C\$745/t for 2004-05.

By contrast, Canadian soy oil production for 2005-06 is forecast at 0.3 Mt, based on an expected increase in soybean crush of 1.8

Mt as a result of stable crush margins, ample supplies of raw soybeans and reduced competition from US soy oil. Imports of soy oil into Canada are projected to decline while domestic usage of soy oil remains stable. The benchmark farm price of soy oil, simple average DeCatur is forecast by the USDA to decline to US\$0.20-0.23/lb (C\$550/t-C\$650/t) for 2005-06.

Medium Term Outlook: More growth and volatility

Over the medium to long run, the market for veg-oils is projected to grow as incomes rise in Asia and more land is seeded to soybeans in South America and to palm oil in Indonesia. The world veg-oil sector is forecast to become more competitive at the same time it becomes more concentrated. The world oilseed market will continue to be affected by a series of economic, policy and monetary shocks although the timing and impact remain unknown.

Some upcoming policy changes are expected to affect the veg-oil market. The World Trade Organization (WTO) is expected to reach an agreement within a couple of years that will gradually reduce tariffs and liberalize trade in veg-oils. The International Association of Seed Crushers is expected to press for greater trade liberalization at the DOHA round of talks. Econometric analysis conducted in Canada indicates that reducing tariffs on veg-oils in importing countries results in a modest expansion of the world veg-oil production and trade.

World: Vegetable Oils: Situation and Outlook (million tonnes)			
	2003- 04	2004- 05e	2005- 06f
Carry-In Stocks	6.82	6.82	7.25
Production			
Soy	29.99	31.90	33.62
Palm	28.78	31.58	32.97
Canola/Rape	14.16	15.92	15.56
Sunflowerseed	9.16	9.03	9.79
Other	18.51	19.48	19.48
Total Production	100.51	107.91	111.42
Total Supply	107.15	113.95	118.67
Trade			
Soy	8.58	9.50	10.11
Palm	21.11	22.63	23.94
Canola/Rape	1.25	1.31	1.39
Sunflowerseed	2.58	2.36	2.60
Other	4.43	6.77	4.53
Total Trade	38.39	42.57	42.57
Consumption	98.44	106.96	109.99
Carry-out Stocks			
Soy	1.55	1.59	1.77
Palm	2.46	2.68	2.68
Canola/Rape	0.49	0.63	0.49
Sunflowerseed	0.51	0.48	0.47
Other	1.81	1.61	1.56
Total Carry-Out Stocks	6.82	7.25	6.96

Source: e: USDA f: AAFC

Another policy unknown is the US Farm Bill presently being negotiated and slated for adoption in 2007. Previous farm bills, especially in the early to mid 1990s, resulted in a significant increase in US soybean

production. While the contents and implications of the present Farm Bill are still being negotiated, in general it appears that support for soybean production will remain stable or be scaled back and is most

unlikely to be increased. The impact on US soybean area as a result of these changes remains unknown.

For the first time in history, China has switched to subsidizing its agricultural production rather than taxing it. Given the various economic, administrative and infrastructure constraints faced by the country, the impact on the domestic veg-oil market is uncertain. Industry analysts believe that China is prepared to offer few concessions on tariffs in the Doha round of talks.

In conclusion, the cumulative impact of these policies and other unanticipated changes remains unknown. The veg-oil market is expected to continue to expand in the emerging economy countries while remaining relatively stable in fully industrialized countries. As the market matures, the focus for price discovery will increasingly switch to Asia and South America. The industrial concentration is expected to increase although there is some concern that processing capacity is overbuilt, forcing a possible rationalization of the crushing sector over the medium term. World trade in veg-oils is expected to grow over the medium term and may soon surpass world trade in wheat, by value.

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Factors to Watch: More Change Expected in the Veg-oil Market

Over the next decade, world markets for vegetable oils are expected to grow while the industry continues to consolidate in an increasingly competitive environment, according to analysis conducted by Rabobank. The major factors include the continued shifts in the production of veg-oils, the growth of the Asian economies, consumer concerns, changing power relationships along the food value chain and the development of non-food markets.

Growing income and population in Asia to drive demand

The growth in Asian populations and incomes over the next ten years is expected to support the expansion of the world veg-oil market. By 2015, the Asian population is forecast to increase by 11%, reaching 4.045 billion people, equal to 56% of the world population. More importantly the Asian economies are expected to be among the world's fastest growing. In 2005, the economies of China and India are projected to grow at over 50% and 90% of the world average, respectively.

At lower economic levels, as per capita income grows, the consumption of vegetable oils grows at a rapid pace. Once per capita income reaches US\$5,000 the growth in usage begins to level off. Per capita income in most of the Asian economies and in South America is below that level. In low income countries, veg-oil consumption is expected to increase at about 0.5% for every 1% rise in incomes. In China, urban incomes have tripled in the past decade, while rural incomes have grown at twice that rate. By 2004-05, more than 40% of China's population lives in towns and cities, while 1% of the country's population makes the move from country to city every year. Chinese imports of palm oil, soyoil and canola/rapeoil are projected to grow by over 5% annually until 2014, implying annual imports in excess of 10 Mt. As well, veg-oil imports to India may rise sharply over the medium term in response to increased incomes and policy changes.

Growing Concerns over health and food safety

Health and food safety are increasingly becoming more important for consumers, especially in the developed markets or market segments. Growing health concerns about trans-fatty acids are expected to pose a threat to the soyoil in the short to medium term. Transfat labelling requirements have been or will shortly be enacted in Denmark, Canada and the United States. Concerned about consumer reactions, many food companies have begun to reformulate their products to eliminate or reduce trans-fatty acid levels. The oilseed industry has responded with the development of new seed varieties and processing technology. In the short run, this issue will cause some adjustment in the market but over the medium to long run the industry is expected to manage the situation.

For 2005-06, in Canada the production of low lin-high-oleic, canola oil, which is low in trans-fats, is expected to reach 0.2 Mt based on estimates that 8% of the canola crop will be seeded to low trans-fat varieties.

Retailers increasingly setting rules for marketing veg-oil products

As retailers consolidate, and their market power grows in many national markets, retailers are increasingly setting the rules and standards for marketing food products including for veg-oil products. Often, these are more stringent than government standards and they include traceability requirements. The increased competition in the retail sector has pressured prices downwards through the food value chain. Near the bottom of the chain, crushers and refiners are increasingly being caught in a cost-price squeeze as they are essentially price-takers with regards to oilseeds.

In response, veg-oil companies are following two strategies: (1) selling in bulk and looking to achieve a low-cost leadership position and (2) developing strong consumer-focused brands. While branded oil is important in the EU and North America, it is also growing in importance in developing countries like India where it is estimated that branded oil accounts for almost 9% of the market and by 2014, it is projected to rise to 12%.

Industrial markets continue to grow

The market for biodiesel continues to grow and will be determined to a large extent by government incentives, tax exemptions, petroleum prices and in some cases by regulations for mandatory inclusion. The market for biodiesel is growing the fastest in the EU where biodiesel consumption could rise to 4-6 Mt by 2010. Brazil has also expressed interest in implementing an extensive biodiesel program while countries like Thailand, Malaysia and India have launched plans or programs to develop the biodiesel sector based primarily on palm oil.

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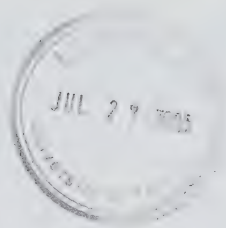
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CHINA: BEER AND MALTING BARLEY

China is the largest producer and consumer of beer and importer of malting barley in the world. Canada is one of the top exporters of malting barley to China where it competes with Australia and the European Union (EU). For 2004-05, as well as 2005-06, Canada is expected to export more than half a million tonnes of malting barley to China worth about \$100 million. Over the medium term, China is expected to remain the largest and among the fastest growing malting barley markets in the world and its import demand is forecast to increase by 20% by 2010-11. However, the implementation of the Developmental Framework for China's Malting Barley Production is expected to increase the growth of domestic production in order to substitute for imports, although at a pace slower than expected in the Framework. This issue of the Bi-weekly Bulletin examines the situation and outlook for China's beer, malt and malting barley industries and the implications for Canada.

The Beer Industry in China

Beer Production

The foundation of China's modern beer industry was set up in the 1950's when new production facilities were constructed in major metropolitan centres across the country. However, the rapid expansion of the industry did not occur until the implementation of the reform and open-door policies in the later 1970s. Data from China's National Bureau of Statistics show that beer production in China has grown at a rate of 18% annually over the last 27 years, from 4 million hectolitres (Mhl) in 1978 to 291 Mhl in 2004. The industry has experienced three stages of development: (a) 1978-1987 with growth of 26% annually when production increased from 4 Mhl to 50 Mhl; (b) 1988-1995 with growth of 16% annually when production increased from 54 Mhl to 154 Mhl; and (c) 1996-2004 with growth of 7% annually and production increased to 291 Mhl. China overtook the United States (US) as the world's largest beer producer in 2002.

Although the percentage rate of growth has slowed down, the annual increase in the volume of China's beer production has accelerated, from an average of 5 Mhl for 1978-1987 to 13 Mhl for 1988-1995, and further to 15 Mhl for 1996-2004.

Beer Consumption

As indicated in Figure 1, per capita beer consumption in China has grown at 12% annually for the past 21 years, from less than 3 litres (L) in 1984 to 22 L in 2004.



Current per capita consumption is comparable to that in Hong Kong (24 L) and Singapore (20 L), but it is much lower than in Japan (41 L), Canada (68 L) and the US (84 L). China overtook the US as the world's largest beer consumer in 2003. The potential for growth is expected to be substantial, given the large disparity in beer consumption between urban and rural areas and across different regions in China.

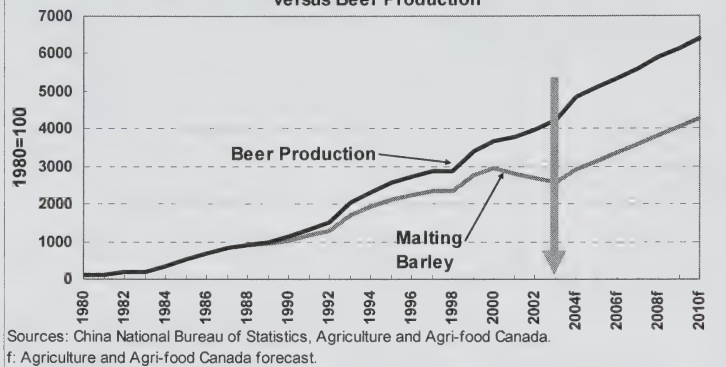
Factors Driving Higher Beer Consumption

Several factors are driving the expansion of the beer industry in China: (a) large increases in population, despite at slow rate of growth; (b) rapid economic growth and increased disposable income; (c) massive migration away from the country to cities and towns; and (d) health consciousness.

In some less developed regions of China, a substantial proportion of the villagers, especially senior citizens, do not drink beer. The process of urbanization, associated with higher income and lifestyle changes, significantly increases the chance either for a potential consumer to become a beer drinker or a drinker to consume more. The rising consumption levels for existing consumers and the enlargement of the consumer base play an equally important role in increasing consumption. The population base of beer consumers in China is estimated by some Chinese analysts to expand at an annual rate of 20%, as a result of higher income and urbanization.

Health consciousness has started to play a more and more important role, especially among the urban population, in

Figure 2. China: Growth in Malting Barley Demand versus Beer Production



the switch to beer from traditional Chinese liquors. The share of beer in all alcoholic beverages has jumped from 19% in 1980 to 72% in 2000, while the growth of liquors, with much higher alcohol content, has decreased correspondingly.

The Beer Industry

The rapid expansion of China's beer production has been accompanied by dramatic structural changes in the beer industry. Of most relevance to the demand for malting barley are consolidation, foreign investment and the upgrading of product composition.

Compared to the maturity of the European and North American markets, the beer market in China is still fragmented. Most breweries operate on a regional or sub-regional scale and there are hundreds of brands. However, the industry has been undergoing consolidation since 1988 and this process has accelerated in recent years. The number of breweries has decreased from 813 in 1988 to about 400 at present. The top 10 brewery companies controlled 53% of the market in 2003, compared to only 22% in 1996. The top three companies currently account for about one third of the production.

Giant foreign breweries started entering the Chinese market in the 1980s. The so-called "First Wave" of these entrances was not a success story. This was due mainly to their inappropriate strategies of building up their own facilities and selling their own brands. After years of little progress, the "Second Wave" began in 2002 and foreign investment has resumed playing an important role in the industry. This time, equity acquisition of local breweries, including large and medium sized ones, became the principal strategy. Instead of selling foreign

brands, local brands are kept and most of the transactions involve less than 50% of the share holdings. The total investment involved in these transactions is estimated at US\$700 million for the last two years. International beer giants such as Anheuser-Busch, SAB Miller, Interbrew, Heineken, and Carlsberg have all made their appearance in the Chinese market.

The Chinese beer market has been dominated by low priced products, but the premium products have been rapidly gaining market share. The demand for famous brands, draft beer, specialty beer with juice, beer with health functions and non-alcoholic beer has been rising. On the other hand, consolidation and the participation of foreign companies have significantly improved the industry's ability to develop new products and expand sales.

Consolidation, joint ventures between local and international companies and the upgrading of product mix all lead to increased demand for imported malting barley, at the expense of domestic barley. Joint ventures and top domestic breweries use much more imported barley than their small and medium counterparts. Tsingtao beer Group, the biggest in China with 13% of the market, uses only Australian and Canadian barley in their major brands. The second largest, Yanjing Beer with 10% of the market, uses mainly imported malting barley, except for very small amount of domestic barley immediately ahead of Australia's harvest. CRE Beer, the third largest, is the only large brewery using both domestic and imported malting barley on a regular basis.

Barley Malt and Malting Barley Demand

Declining Ratio of Barley Malt to Beer

The rapid expansion of China's beer industry increased the demand for barley malt, the principal component in beer production. However, the growth of malting barley demand has not been proportional to growth in beer production, especially in recent years. As indicated in Figure 2, while China's beer production increased by a factor of 47 times since 1980, demand for malting barley only increased by a factor of 28. The demand for barley malt is estimated at 2.62 million tonnes (Mt) for the production of 291 Mhl of beer in 2004. This is lower than the record demand for 2.64 Mt of malt in 2000 when only 220 Mhl of beer was produced. Two reasons are responsible for the lower usage of barley malt and malting barley.

Firstly, the substitution of adjunct for barley malt has increased. Chinese breweries have the tradition of using rice or, to a lesser extent, corn as an adjunct in beer production. This creates a special taste favoured by local consumers and, at the same time, reduces barley malt usage and input costs. In recent years when malting barley supplies were short, and malting barley prices were high relative to rice prices, breweries adjusted their production techniques to incorporate more rice in substitution for barley malt. In the last couple of years when rice prices increased more than malting barley prices, substantial amounts of corn and even grain syrups were used as a substitute for barley malt.

Secondly, the original gravity of beer, defined as the amount of malt and adjunct as a percentage of water in wort, has decreased significantly, from 11-12% to 6-7% in recent years. Thus more beer is produced from a given amount of malt and adjunct.

Consequently, the ratio of barley malt to beer is estimated to have decreased from more than 13 kilogram of barley malt for one hectolitre of beer (Kg/Hl) in the 1980s to 12 Kg/Hl in the 1990s and 9 Kg/Hl over the last four years. Thus, one tonne of malting barley currently generates about 90 Hl of beer in China compared to about 75 Hl in Canada.

The Malting Industry

China's malting industry is characterized by low margins, excess capacity, active acquisition and continuous expansion. There are about 200 maltsters in China with a total processing capacity of malting barley estimated at 4.3 Mt. Based on

beer production in 2004, malt demand is estimated at 2.62 Mt, suggesting overcapacity of more than 30%. The industry consists of maltsters with huge differences in production capacity and technology, from very small floor operations to the largest with the latest equipment in the world. The number of small operations (less than 10 thousand tonnes (Kt)) had dropped from 243 in 2000 to 93 in 2003, while the number of large and medium-sized operations increased from 67 to 85. In addition, there were 24 malting facilities under construction in 2003, most of which are located close to barley producing areas, especially in western and northern China, while most of the existing facilities are in eastern, southern and northeast China.

In China's malting industry, brewery-owned malting facilities have a total processing capacity of 0.5 Mt. Among the independent maltsters, the top 10 have a total capacity of 1.1 Mt. These two groups account for 37% of the total capacity. Medium sized maltsters have a total capacity of 1.20 Mt, accounting for 28%. The total capacity for small maltsters (with a capacity of less than 50 Kt) is estimated at 1.5 Mt, or 35% of the capacity nationwide.

The Use of Low Quality Barley by the Malting Industry

When the supply of malting barley is low, and prices are high, some maltsters, especially the smaller ones in central China that are far away from both import and domestic malting barley sources, use low quality barley to produce malt. Low quality malt is still attractive to regional and sub-regional breweries to produce budget brand beer. It is estimated that at least 0.5 Mt of low quality barley was used in 2003, which includes malting and feed varieties of barley from both domestic and import sources.

Domestic Barley Production and Supply

Production Trends

Barley has not been a major grain in China's recent history and production has been flat over the past three decades, except for a short-term surge in the 1990s. Historically, barley was mainly used for animal feed and, to a lesser extent, human food. Feed demand for barley has declined, due to the rapid reduction in the number of draft animals and the lower feed value of barley compared to corn. Barley production has also been discouraged by slower growth in yields than competitive crops, the status of barley as a rotation crop in many areas and government policies that favour major grains such as wheat, rice and corn.

The demand for malting barley has increased significantly, following the strong growth in beer production. The use of barley for feed has decreased correspondingly. As indicated in Figure 3, utilization of domestically produced "malting" barley has increased by 7% annually, from 0.35 Mt in the later 1980s to 1.35 Mt in the early 2000s and the proportion of the barley crop used for malting has increased from less than 20% to nearly 50%.

Production Geography

Malting barley production in China used to be concentrated in eastern China's Jiangsu and Zhejiang provinces. This is the earliest and, at one time, the largest malting barley production base. However, barley is treated as a rotation crop in this region and freezing in early spring and rain at harvest affect crop quality. As a result, production has been decreasing recently and was about 250 Kt in 2004. This production base is located in a malting barley deficit area dominated by imports.

The northwest production base consists mainly of Gansu and Xinjiang. It is the fastest growing production region, with the best quality crop in China. With a production of 650 Kt, it became the largest malting barley producing region in 2003. However, the base is far away from population centres and high transportation costs are involved. This base mainly services northwest China, and can reach northern and central China. The northeast production base consists of Heilongjiang and Inner Mongolia and mainly services northeast China. Production in 2004 was about 200 Kt. Two other production bases are located in Central China and southwest China's Yunnan province.

Issues

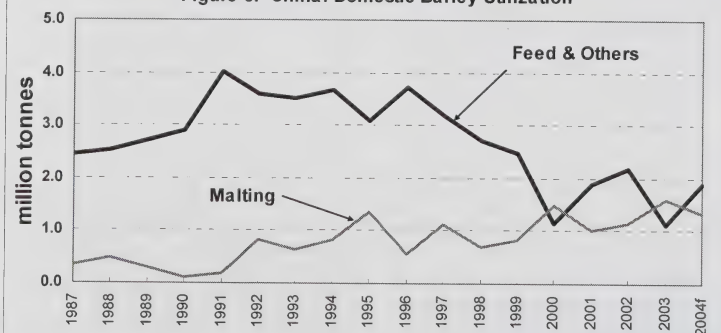
The major issues facing China's malting barley supply chain can be summarized as follows:

- low grain quality and inconsistency of quality with respect to plumpness, extraction rates, test weight, protein content due to a lack of suitable varieties and appropriate cultivation practices, exacerbated by a large number of small farms with different technologies;
- high logistical costs and infrastructure constraints for the rail and highway system;
- post-harvest quality deterioration, and perceived high production costs;
- an underdeveloped quality control system;
- vertical disintegration between barley producers and maltsters, in the transformation of market information and technology; unprotected producers are fully exposed to downward price risks, which intensify year-to-year fluctuation in production and discourage long term growth; upward price risks are faced by maltsters, especially the smaller companies; and
- the need for government policies to promote barley production and marketing, such as seed subsidies, direct support and the waiver of railway construction fees.

The Developmental Framework for China's Malting Barley Production (DFCMBP)

The dependence on imports for two thirds of the total malting barley requirements is perceived as a major concern for the Chinese beer and malting industry. The shortage of overseas supplies and escalation of world market prices are seen as a threat to the development of China's beer industry, especially for small and medium-size breweries and maltsters. Volatility in domestic prices and production puts producers and processors in a risky position. The

Figure 3. China: Domestic Barley Utilization



Sources: China National Bureau of Statistics, Agriculture and Agri-food Canada.
f. Agriculture and Agri-food Canada forecast.

DFCMBP program, introduced in 2004-05, is a joint effort between governments and stakeholders in the malting barley industry to address these concerns by boosting domestic malting barley production to substitute for imports.

The objectives of the program are:

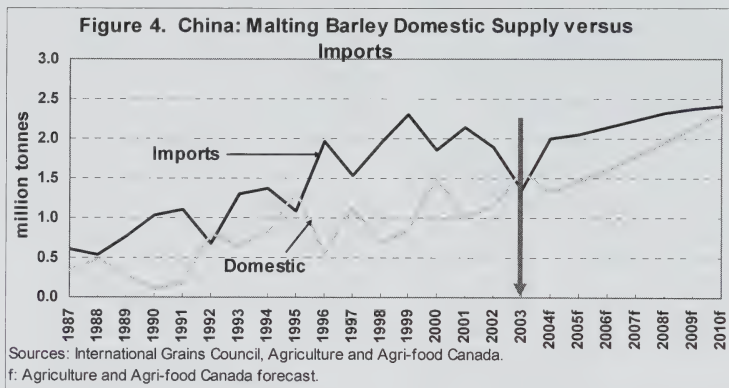
- to raise malting barley area from 42 thousand hectares (Kh) in 2003 to 78 Kh by 2008;
- to increase malting barley production from 1.98 Mt in 2003 to 3.91 Mt by 2008, of which 3.15 Mt is expected to be of malting quality;
- to increase the share of domestic production from 40% of total requirements in 2003 to 70% by 2008; and
- to improve quality so that at least 90% of the production in major production bases reaches the national standards for malting.

To achieve these objectives, the following measures have been, or are to be, taken:

- the establishment of advantageous production bases;
- determination of major varieties by production region;
- extension of cultivation technologies to improve crop quality, increase yields and lower production costs;
- the setup of a quality control system;
- enlargement of production scales;
- vertical integration among industry participants;
- the improvement of quality consistency and reduction of production costs;
- seed subsidies from government;
- preferential loans and taxation policies to assist key maltsters; and
- government assistance for the establishment of malting barley/barley malt production and marketing co-operatives.

Implications of the DFCMBP for Imports

The impact of the program on China's



import demand for malting barley will depend on (1) the extent to which the program can be implemented successfully and (2) how long it will take. However, the target of 70% requirements for 2008 appears difficult to achieve by that date.

Significant progress has been made in the establishment of production bases. Some of the measures, such as government policies and supports, are less difficult to implement than others. However, issues related to variety, quality, costs and industrial structure are much harder to tackle and probably cannot be resolved by the target date.

The regions that are going to benefit first and the most from the DFCMBP are likely to be northwest, northeast and southwest China, where the production bases are located and beer consumption is expected to grow the fastest. The long distance, prohibitive logistical costs, and system constraints are bottlenecks for domestic malting barley to penetrate the largest markets in eastern and southern China. In these markets, imports are preferred for their higher quality and capture a much larger market share. The comparative advantages for imports in

terms of quality and costs are expected to prevail in these regions in the foreseeable future.

The use of low quality barley in the malting process could also impede the ability of domestic supplies to gain market share against foreign imports. A large portion of low quality barley is used in central and western China and by small and medium-size maltsters which are closer to the production bases. Before directly competing with imports, incremental production of high quality malting barley is likely to substitute for domestically produced low quality barley.

Malting Barley and Barley Malt Imports

Current Situation

Malting barley production in China has increased significantly. However, domestic supplies cannot keep pace with the growth in demand. As a result, China started importing malting barley in 1980 and has been the world's largest importer since 1988. Currently, China accounts for about 40% of world imports of malting barley, excluding intra-EU trade.

Figure 4 shows China's malting barley supplies by domestic production and imports. China's malting barley imports had increased from less than 0.2 Mt in 1980 to 1.0 Mt in 1990 and slightly over 2.0 Mt in 2000. Following a peak of 2.3 Mt in 1999, imports have decreased to around 2.0 Mt, with the exception of 2003 when they dropped below 1.5 Mt, as a result of supply shortages worldwide.

However, there has been no indication that imports are gaining market share against domestic supplies. In fact, it appears that the market share for domestic supplies, including low quality barley used for malting, has increased slightly over the last 15 years, to nearly 35% from 30% in the late 1980s, while

China: Beer and Malting Barley				
	1999-2003	2004-05f	2005-06f	2010-11f
Beer Production (Mhl)	230	291	306	383
Per Capita Beer Consumption (L)	18	22	23	28
Malting Barley Requirements (Mt)	3.10	3.25	3.50	4.80
Total Imports (Mt)	1.90	2.00	2.00	2.40
Australia	1.10	1.05	1.15	1.30
Canada	0.38	0.60	0.50	0.70
EU	0.42	0.35	0.35	0.40
Domestic production (Mt)	1.20	1.25	1.50	2.40

Sources: China National Bureau of Statistics, China Custom Statistics and IGC.
f: Agriculture and Agri-food Canada forecast.

the share for imports has declined from 70% to 65%.

China has not been, and is not expected to be, a significant player in the international market for barley malt. As a result of China's entry into the WTO, the tariff escalation between barley malt and malting barley decreased but Chinese maltsters, especially those in the coast areas, are expected to maintain their advantage in production costs. This is also consistent with the trend that world capacity for the production of barley malt has been shifting away from the exporting countries of malting barley to the importing countries.

Export Competition

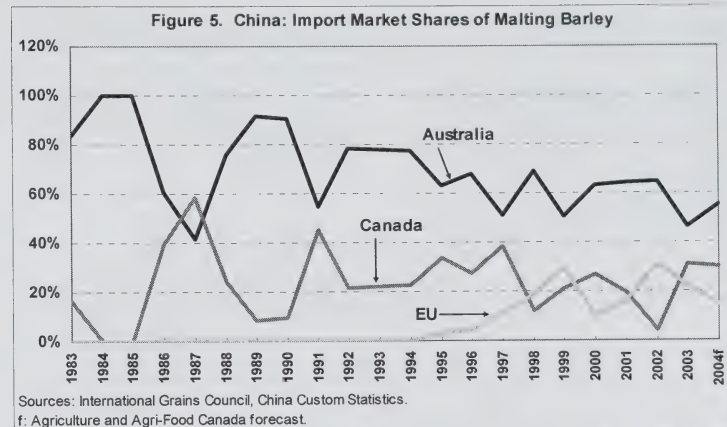
Figure 5 shows the market share by major exporter in the Chinese malting barley market. Between 1980 and 1994, the Chinese malting barley import market was serviced by Australia (73%) and Canada (27%). Australian exports rose from 130 Kt in 1980 to about 1.1 M in 1994, while Canadian exports increased from zero to 307 Kt annually.

The EU joined the competition in 1995 and after three years of robust growth, the EU has captured about 20% of the Chinese market, or about 400 Kt annually, since 1998.

The market share for Australia dropped from 75% over 1980-1994 to 60% over 1998-2004 and the market share for Canada decreased from 27% to 20% over the same periods. In addition to competition, much of the drop for Canada is due to the 2002 drought which sharply reduced malting-quality barley supplies and forced Canada out of the world malting barley market in later 2002-03, as seen in Figure 6. Despite decreasing market shares, Canada's export volume increased from an annual average of 190 Kt over 1988-1992 to 390 Kt over 1998-2004, while annual volume for Australia increased from 640 Kt to 1.26 Mt.

Freight Costs

Australia has a freight advantage over Canada in the Chinese malting barley market because of its proximity to China. In addition, inland transportation costs are also significantly lower for Australia since the production regions are closer to export ports. It is generally believed that the surge in ocean freight rates has had a larger impact on grain shipments from Canada than from Australia, due to longer distance. However, Australia is one of the major exporters of industrial materials to China. The northbound routes from Australia to China are among the busiest and ports are very congested. Therefore,



freight rates for these routes could increase more than those for the North Pacific routes from Vancouver to Chinese ports.

Outlook: 2005 to 2010

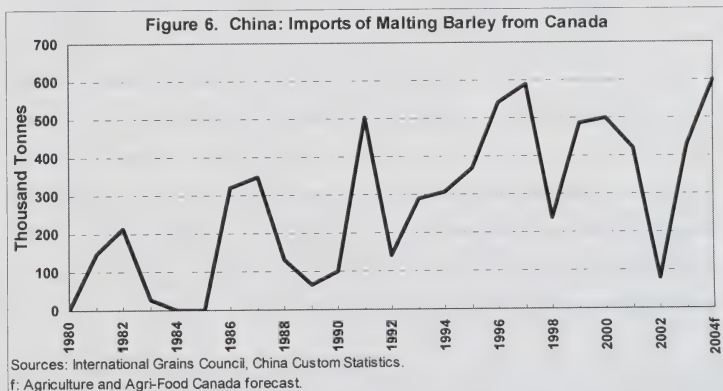
Beer production in China is forecast by AAFC to increase by 4-5% annually over the medium term, from 291 Mhl in 2004 to 300 Mhl by 2005 and 380 Mhl by 2010. The population is projected by the Chinese government to grow at 0.7-0.8%, from 1.32 billion in 2004 to 1.38 billion by 2010. China's urban: rural population ratio is projected to change from about 35:65 in 2000 to 45:55 by 2010, which means another 160 million people living in Chinese cities and towns. Per capita beer consumption is projected to rise by a further 27%, to 28 L by 2010.

Malting barley demand is forecast to increase from 3.3 Mt in 2004-05 to 3.5 Mt by 2005-06 and 4.8 Mt by 2010-11. The conversion rate of barley malt to beer is expected to recover gradually, from 9 Kg/Hl in 2004-05 to 10 Kg/Hl in 2010-11, as the situation of supply shortage and

high prices for malting barley improves and production of premium beer grows faster.

Domestic production of malting barley is forecast to grow by 10% annually, driven mainly by the implementation of the DFCMBP. Production in 2005-06 is forecast to increase to 1.5 Mt, from 1.3 Mt in 2004-05, as area seeded to malting barley in China increases in response to high prices in 2004-05. Production of malting barley is forecast to grow to 2.4 Mt by 2010-11. The share of domestic supply is expected to increase from about 40% of total requirements in 2004-05 to 50% by 2010-11, a substantial increase but still short of the DFCMBP target for 2008. With increased domestic production and improved crop quality, the use of low quality barley in the malting process is expected to decrease.

China's malting barley imports in 2005-06 are forecast to be virtually unchanged from 2004-05 at 2.0 Mt. The continued weakness in the Chinese currency and the high ocean freight rates will make the landed price for imported malting barley



relatively high, although world prices are expected to decrease.

Malting barley imports are projected to reach 2.4 Mt by 2010-11, 20% higher than in 2004-05. Consolidation, foreign investment and product upgrading in the brewing and malting industry are expected to lead to strong import demand for high quality malting barley. Imported

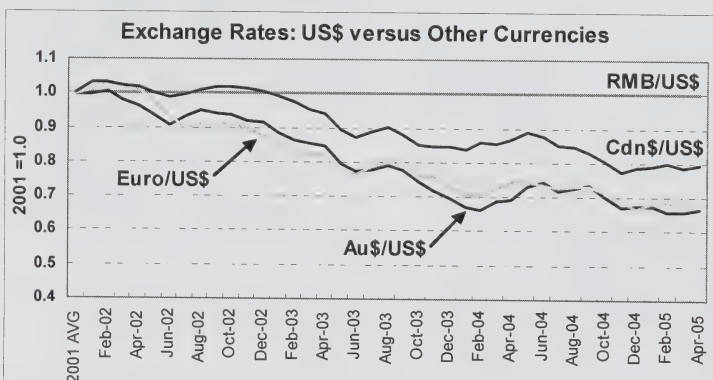
malting barley will continue to dominate the eastern and southern Chinese markets, due to its advantage in price and quality. High costs and capacity constraints in China's transportation and handling system will limit the competitiveness of domestic supplies in these markets.

Canada is forecast to export about 0.5 Mt of malting barley into the Chinese market in 2005-06, slightly less than 2004-05 as Australia's barley production increases from the weather-related low of 2004-05. Canadian exports are projected to increase throughout the medium term. By 2010-11, Canada is projected to export 0.7 Mt of malting barley to China, about 30% of the import market.

Exchange Rates and Malting Barley Prices

The value of the Chinese currency is tied with the US dollar and the exchange rate has been around US\$1=8.28 RMB or Yuan since September 1999. For other currencies, such as the Canadian dollar, the exchange rates in RMB will float in relation to their respective values versus the U.S. dollar.

The currencies for the major exporters in the world malting barley market have appreciated substantially against the US dollar and, thus, the Chinese RMB since 2001. The values of the Euro and the Australian dollar have increased by more than 30%, while the value of the Canadian dollar has increased by 20%.



Sources: The University of British Columbia, Sander School of Business, Pacific Exchange Rate Service.

The effect of changes in foreign exchange rates is usually shared by importers and exporters depending on the structure of the market and the capacity for players to respond. On one extreme, if exporters have the market power to increase export prices (in US dollar) the full percentage as the US dollar depreciates, there could be little impact on them and importers will take the full burden. On the other extreme, if importers have the full market power, exporters are not capable of changing export prices, then exporters have to take the full effect. Generally the effect is somewhere between the two extreme cases. As a result of the weakness of the RMB, imported malting barley becomes more expensive in China while returns for Canadian producers are lower.

China's foreign exchange system has been undergoing pressure to change by some of its trading partners, particularly the US. Although the Chinese government has been preparing to move in this direction, it is expected that priority will be given to China's own interests, with respect to the timing and the magnitude of the change. Given the macroeconomic situation in China and the inflow of global speculative capital, the reform is expected to be cautious and gradual.

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MUSTARD SEED: SITUATION AND OUTLOOK

Canada is the dominant exporter and it is normally the second largest producer of mustard seed in the world. The value of Canadian mustard seed exports averaged about \$80 million during the past five years. For 2005-2006, Canadian seeded area, production and supply are expected to decrease significantly from 2004-2005 for all types of mustard seed, yellow, brown and oriental, however, exports and average prices are expected to increase. This issue of the *Bi-weekly Bulletin* examines the situation and outlook for mustard seed.

WORLD

Production and Trade

India produces the bulk of world mustard seed. However production data for India, as well as two other significant producers, Pakistan and Bangladesh, is not available since these countries combine the production data for mustard seed and rapeseed. Unofficial estimates for mustard seed production in these countries are about 2.5 million tonnes (Mt) for India and about 150,000 tonnes (t) each for Pakistan and Bangladesh. Mustard seed produced in India, Pakistan and Bangladesh, as well as in most other Asian countries, is mainly crushed for oil. Excluding these three countries, mustard seed production has been variable, but with a slight upward trend during the past ten years.

Mustard seed exports have also been variable, but with a slight upward trend, peaking at 294,000 t in 2003, the latest year for which world trade statistics are available. Canada dominates world mustard seed exports, accounting for about 65% of total world exports if re-exports are excluded. The only other significant exporters are Russia, Ukraine, the Czech Republic and Hungary. Exports from Germany, Netherlands and Belgium are re-exports of imported seed. The top five importing countries, Bangladesh, the United States (US), Germany, France and Netherlands, account for about 70% of world imports.

produced in Canada are yellow (*Sinapis alba*), brown, and oriental (both *Brassica juncea*). Mustard seed can be grown on most soil types, but is best adapted to the brown and dark brown soils. Soils prone to crusting and dry, sandy soils are not recommended. All mustard seed types tolerate drought conditions better than canola. Mustard seed fits well in a rotation with cereal grains. Yellow mustard seed requires 90-92 days to mature, brown 85 days and oriental 86-88 days. Seedlings are quite tolerant of frost. Therefore, early seeding is recommended to avoid flowering during the hottest part of the summer, thereby improving yields. The Canadian mustard seed harvest normally occurs from mid-August to late September.

Canadian mustard seed production has been variable during the past 10 years, ranging from a low of 105,000 t in 2001-2002 to a high of 306,000 t in 1999-2000. For 2001-2002, 2002-2003 and 2003-2004, average yields were lower than normal and abandonment rates were higher than normal due to drought and other weather related problems in most growing areas. Production recovered in 2004-2005 due to higher seeded area and higher yields. Saskatchewan dominates Canadian

mustard seed production with 82% of the production in 2004-2005, followed by Alberta at 17% and Manitoba at 1%.

Production by type varies from year to year depending on price prospects for each type of mustard seed. The yields of brown and yellow mustard seed are about 5% and 20% lower than oriental, respectively. Since the costs of production are similar for all types, prices for brown mustard seed have to be about 5% higher and for yellow mustard seed about 25% higher compared to oriental mustard seed to encourage production of the brown and yellow types rather than the oriental type.

World Mustard Seed Production (partial)

	2001- 2002	2002- 2003	2003- 2004	2004- 2005	2005- 2006f
Harvested Area (000 ha)	558	777	1,024	1,020	925
Average Yields (t/ha)	0.66	0.65	0.68	0.77	0.67
	.....thousand tonnes.....				
Canada*	105	154	226	305	180
Nepal	132	135	133	135	130
Czech Republic	19	32	60	112	90
Russia	28	35	86	75	70
Ukraine	8	27	69	50	45
Myanmar	30	34	35	35	35
USA **	19	52	35	26	25
China	13	13	15	15	15
Romania	4	6	15	15	12
Slovakia	2	3	6	7	6
Germany	4	4	4	4	4
Other	7	7	9	9	8
Total World	371	502	693	788	620

Note: India, Pakistan and Bangladesh are important producers, but mustard seed production data for these countries is not available as it is combined with rapeseed production data.

Source: FAO, except *Statistics Canada, **USDA - May 2005
f: AAFC forecast, May 2005

CANADA

Production

The three types of mustard seed

The quality of the 2004-2005 crop was lower than normal. According to a survey conducted by Saskatchewan Agriculture and Food, about 45% of the mustard seed in that province graded 1 Canada (normally 78%), 28% graded 2 Canada (16%), 12% graded 3 Canada (4%) and 15% graded 4 Canada and Sample (2%).

Uses

Mustard seed is a nutritious food ingredient. Its high protein content of 28-36% is of particular interest when used in processed meats. The volatile oil in mustard seed inhibits growth of certain yeasts, molds and bacteria, which enables mustard seed to function as a natural preservative and extends the shelf life of finished foods.

Yellow mustard seed is suitable for a wide range of applications, including dry milling for flour, wet milling for mustard pastes, and whole ground seed for spice mixes, meat processing and other food products. It is the type of mustard seed used for processing into the familiar North American hot dog mustard, which uses the whole seed for a milder product. In processed meats, it is used as a binder and a protein extender, and to enhance the flavour. It is also used in mayonnaise and salad dressings. Dry milled flour is used for condiments and as an ingredient in compounded products. The extracted seed hulls are used for thickening and stabilization in mustard and other prepared foods. Mucilage is a gummy substance found in the seed coat of yellow mustard seed. It absorbs water, keeps meat dry and is a binding and thickening agent in meat and soup. Since there are several varieties of yellow mustard seed grown in Canada, there is a range of mucilage contents available, allowing processors to blend varieties to reach a standard viscosity. Yellow mustard seed can also be ground for use as an ingredient for the prepared meat industry, where it contributes to total protein. As well, the gelling of the mucilage increases water absorption into the product, which provides enhanced economy and improved efficiency in the smooth molding of shaped products. Heat inactivated (spice heat removed) whole ground seed is used as an ingredient in many food products providing colour, flavour, viscosity and emulsification. The oil content of yellow mustard seed is about 27%.

Brown mustard seed is ground into flour which is used to produce a hot

mustard used in European products. The flour is also used in mayonnaise, salad dressing and sauces. The oil content of brown mustard seed is about 36%. The fixed oil content of Canadian brown mustard seed gives no separation problems and the volatile oil content has long been the standard in formulations. Fixed oil is the oil obtained in crushing the seed, whereas volatile oil is a breakdown product from glucosinolates. Volatile oil gives mustard the spicy taste.

Canadian oriental mustard seed varieties have been bred for specific levels of oil and volatility to meet alternative market requirements. High volatility, high oil content oriental mustard seed varieties are suitable for the oilseed demand in the Indian sub-continent, while low volatility, low oil content mustard seed varieties are suitable for dry milling purposes. Stronger flavoured oriental mustard seed varieties are also available if the miller or processor requires it. The average oil content of oriental mustard seed is about 39%.

Marketing

All of the mustard seed produced in Canada is sold on the open market to dealers. There are about twenty dealers across the Prairie provinces who buy, clean, and ship mustard seed to domestic and export markets.

Mustard seed is shipped both bulk and in containers, depending on the volume shipped and the destination. Deliveries to domestic and US customers are in bulk in trucks or in containers which are carried by trucks or trains. Some mustard seed is grown under production contracts, which guarantee a price for part of the production, and the rest is sold on the spot market.

The Canadian Special Crops Association (CSCA) (www.specialcrops.mb.ca) establishes trade rules for domestic trade

and serves as a forum for exporters, dealers and brokers involved in the industry of trading Canada's pulse and special crops, including mustard seed. The CSCA's website includes a section where buyers can submit a request for prices.

The Canadian Grain Commission (CGC) administers quality control standards for mustard seed. There are four grades for each type of mustard seed. In addition, mustard seed can be graded "Sample" if it does not meet the specifications for any of the four grades. Top grades of mustard seed are obtained when seeds are well matured, have good colour with minimal damage, and are free of seeds from volunteer canola plants and weeds such as cow cockle. For further information, or to access the Official Grain Grading Guide, please visit the CGC website: (www.grainscanada.gc.ca)

Domestic Use

Canadian domestic use, which includes food, seed, dockage and waste, accounts for about 25% of the total

World: Mustard Seed Exports

Calendar Year	1999	2000	2001	2002	2003
.....thousand tonnes.....					
Canada**	159	159	152	148	122
Russia	3	26	10	13	42
Ukraine	0	0	1	6	36
Czech Republic	23	34	17	18	24
Germany*	7	11	11	17	14
Netherlands*	11	9	7	13	13
India	1	0	7	11	10
Hungary	13	15	8	12	9
United States	3	2	3	10	5
Belgium*	3	2	0	1	4
Romania	3	3	4	3	3
Other	2	4	7	10	12
Total	228	265	227	262	294

* re-exports

Source: FAO, except **Statistics Canada - May 2005

World: Mustard Seed Imports

Calendar Year	1999	2000	2001	2002	2003
.....thousands tonnes.....					
Bangladesh	52	57	53	41	54
United States	47	51	49	42	49
Germany	40	46	42	40	42
France	30	31	31	27	30
Netherlands	14	16	16	16	14
Belgium	0	4	4	2	11
Japan	10	9	8	7	8
Nepal	6	4	2	6	9
Austria	6	5	4	5	5
Poland	5	6	4	4	2
Other	31	28	35	46	37
Total	241	257	248	236	261

Source: FAO - May 2005

The difference between imports and exports is partly attributed to the timing of delivery.

use. There is some processing of mustard seed in Canada, concentrating on milling seed for its flour and for condiments. Most of the mustard seed processed in Canada is the yellow type; however some brown and oriental types are also milled mainly to be blended with yellow mustard flour for customers who want a spicier product. Statistics on domestic use are not available. Therefore, domestic use is calculated as a residual after deducting exports and carry-out stocks from total supply.

Exports

Canadian mustard seed exports are mainly in the bulk, unprocessed form. Europe (mainly Belgium, Netherlands, Germany, France and United Kingdom), Asia (mainly Bangladesh, India, Japan, Thailand and South Korea), and the US account for the majority of the exports. Europe imports mainly brown mustard seed, Asia mainly oriental and the US mainly yellow.

For 2004-2005, Canadian exports are expected to increase from 2003-2004 due to higher total supply.

In addition to seed exports, some of the mustard seed flour produced in Canada is exported to the US and other markets.

Prices

Canadian prices are determined on an export basis because Canada exports about 75% of its production. Therefore, they are highly sensitive to the value of the Canadian dollar in foreign markets. Prices of the yellow type are usually higher than for the brown and oriental types. However, since yields of the yellow type are usually lower, earnings per hectare tend to be similar for all three types over the long-term. Since there is no futures market for mustard seed, prices are negotiated directly between the producer, dealer, and customer based on supply and demand factors for each type of mustard seed. The prices negotiated could be for immediate delivery or for delivery at some future date.

For 2004-2005, prices for No.1 grade of all types of mustard seed are expected to average lower than in 2003-2004, because of higher supply.

(excluding India, Pakistan, and Bangladesh) is forecast to decrease by 21% from 2004-2005 to 620,000 t, due mainly to lower production in Canada.

Canada: 2005-2006

Area seeded is estimated to decrease by 26% from 2004-2005 due to expected high carry-in stocks and relatively low prices.

Assuming normal abandonment rates and normal precipitation during the growing season, production is forecast to decrease by 41% to 180,000 t.

Production is expected to decrease for all three types. Assuming normal growing and harvest conditions, average quality is expected to return to normal. Total supply is forecast to decrease by 9%, as lower production is partly offset by higher carry-in stocks. Carry-in stocks are expected to include a large portion of low quality seed. Exports are forecast to increase because of stronger demand and carry-out stocks are forecast to decrease.

The lower supply is expected to support prices, with average prices

Canada: Supply and Disposition of Mustard Seed					
	2001-2002	2002-2003	2003-2004	2004-2005f	2005-2006f
<i>Aug - July crop year</i>					
Seeded Area (000 ha)	166	289	340	317	233
Harvested Area (000 ha)	158	255	328	304	226
Yield (t/ha)	0.66	0.60	0.69	1.00	0.80
.....thousand tonnes.....					
Carry-in stocks	105	33	60	92	185
<i>Production:</i>					
<i>Yellow</i>	51	79	124	126	80
<i>Brown</i>	21	38	67	92	50
<i>Oriental</i>	33	37	35	87	50
Total Production	105	154	226	305	180
Imports	3	9	2	2	2
Total Supply	213	196	288	399	367
<i>Exports:</i>					
United States	46	41	53	55	55
Europe	70	47	45	50	55
Asia	52	23	18	25	35
South and Central America	2	2	3	3	3
Africa and Middle East	1	1	2	2	2
Total Exports	171	114	121	135	150
Total Domestic Use	*9	22	75	79	77
Total Use	180	136	196	214	227
Carry-out Stocks	33	60	92	185	140
Stocks-to-use ratio	18%	44%	47%	86%	62%
Seeded Area (000 ac)	410	714	840	783	576
Harvested Area (000 ac)	390	630	810	751	558
Yield (lbs/ac)	589	535	616	892	714
<i>Average producer price**</i>					
Yellow \$/t	1,058	694	386	309	342
\$/lb	0.48	0.315	0.175	0.14	0.155
Brown \$/t	474	672	386	309	320
\$/lb	0.215	0.305	0.175	0.14	0.145
Oriental \$/t	342	430	419	309	320
\$/lb	0.155	0.195	0.190	0.14	0.145
Source: Statistics Canada and AAFC					
f. Agriculture and Agri-Food Canada forecast, May 2005					
*Note: Domestic use is calculated residually. For 2001-02, based on export and carry-out stocks data, it appears Statistics Canada's production estimate may be low or carry-out stocks high resulting in a very low residual.					
**Saskatchewan, No.1 CAN grade					

OUTLOOK

World: 2005-2006

World mustard seed production

increasing for all three types. The price spreads between grades are expected to decrease, assuming a return to normal quality.

The main factor to watch is precipitation during the growing and harvest periods.

Canada: longer-term

There is strong and growing demand for mucilage and plant breeders have responded by developing yellow mustard seed varieties with higher mucilage levels. Three newer varieties, Viscount, Ace and Andante, have mucilage levels which are about 30% higher than traditional varieties. Work is continuing on developing additional varieties. Higher mucilage levels are expected to increase demand for yellow mustard seed, as marketers promote the value of the product to end users. Producers could only receive premiums for growing varieties with high mucilage levels through segregation and identity preservation because there is no way to measure mucilage levels at the plant. However, premiums for high mucilage may not always occur even with segregation and identity preservation if the price of yellow mustard seed is too high, because users of mucilage may switch to substitute products, such as guar gum. There could be one side benefit of increased mucilage levels. Since

mucilage draws water into the seed, it might help germination.

Demand for mustard seed is expected to increase during the next decade due to increased population, increased use of spices and increased demand for other uses such as mucilage.

A potential additional use of mustard seed could be for biodiesel. Oil crushed from mustard seed can be used in the production of biodiesel, a fuel for compression-ignition engines coming from biological sources. However, the mustard seed oil price would have to be competitive with alternative sources, such as soyoil and canola oil. Therefore, biodiesel might become a market for low quality mustard seed.

Demand is expected to grow from end users for identity preservation (IP) to ensure specific quality characteristics. IP systems ensure traceability of product from the end-user back to the producer. It involves documentation for each step of production, handling and processing, as well as production, handling and processing standards, and auditing. Although there will be extra cost in an IP system, it will be an important marketing tool for Canadian mustard seed. The mustard seed industry is examining how the CGC's Canadian Identity Preserved

Recognition System (CIPRS) can assist the industry in the marketing and delivery of special product characteristics. CIPRS certifies companies selling products through identity preserved programs that have effective quality management systems for the production, handling and transportation of several crops, including mustard seed

For periodic updates on the situation and outlook for mustard seed, visit the Market Analysis Division Website for "Canada: Pulse and Special Crops Outlook."

For more information please contact:

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US FARM SECURITY AND RURAL INVESTMENT ACT OF 2002 (FSRIA)

Under the previous FAIR Act, the national **loan rate** for "minor oilseeds" which included mustard seed was US\$0.093/lb. Under the FSRIA, a separate loan rate was established for mustard seed at US\$0.0988/lb for 2002-2003 and this was scheduled to increase to US\$0.1019/lb for 2003-2004. However, in 2003-2004 a single rate was re-established for all "minor oilseeds", including mustard seed, at US\$0.096/lb. For crop years 2004-2007, the loan rate was lowered to US\$0.093/lb. These rates are for the top grade and there are discounts for lower quality seed. The loan rate varies by county and is highest in North Dakota. The loan rate provides a floor return because if the price is lower than the loan rate, the producer is eligible for a loan deficiency payment. Mustard seed production in the US is mainly in North Dakota and Montana and nearly all of the production is the yellow type. Although average prices paid to producers were above the loan rate during crop years 2002-03 to 2004-05 and producers did not receive a loan deficiency payment, the loan program supports mustard seed production because it provides a floor return in years when prices are low.

Mustard seed is also eligible for the minor oilseeds **direct payment** of US\$0.008/lb. However, this is based on historical seeded area and yields and is theoretically decoupled from the area seeded during the year of the payout. Mustard seed is eligible for the "minor oilseeds" **counter-cyclical** support based on the **target price** of US\$0.098/lb for crop years 2002 and 2003, and US\$0.101/lb for crop years 2004 to 2007. However, in calculating a counter-cyclical payment, the direct payment is first deducted from the target price. Therefore, since the target price minus the direct payment is less or equal to the loan rate or market price, no counter cyclical payment is expected for mustard seed.

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B. CASH PRICES AND REPLACEMENT VALUES

April 18, 2005

PRAIRIE GRAINS

Selected Points		Price Basis		This week 18-Apr-05	Last week 4-Apr-05	Month ago 21-Mar-05	Year ago 19-Apr-04
From: Thunder Bay(WCE) (2)	In-Store		Wheat	106.00	103.00	103.00	173.00
			Oat	154.00	154.00	154.25	162.00
(CBOT)			Barley	114.00	114.50	110.80	149.00
(Lethbridge)			Wheat	129.61	126.61	126.61	196.61
To: Bayport, ON (1)	In-store		Oat	N/A	N/A	N/A	N/A
			Barley	141.39	141.89	138.19	176.39
Montreal, QC (1)	In-store		Wheat	134.03	131.03	131.03	201.03
			Oat	N/A	N/A	N/A	N/A
			Barley	146.31	146.81	143.11	181.31
Moncton, NB	Truck via Halifax		Wheat	156.25	153.25	153.25	223.25
			Oat	N/A	N/A	N/A	N/A
			Barley	170.50	171.00	167.30	205.50
Truro, NS	Truck via Halifax		Wheat	150.22	147.22	147.22	217.22
			Oat	N/A	N/A	N/A	N/A
			Barley	168.00	168.50	164.80	203.00
Halifax, NS (1)	In-store		Wheat	141.28	138.28	138.28	208.28
			Oat	N/A	N/A	N/A	N/A
			Barley	154.30	154.80	151.10	189.30
Stephenville, NL	Track / Truck via Sydney		Wheat	204.63	201.63	201.63	271.63
			Oat	N/A	N/A	N/A	N/A
			Barley	N/A	N/A	N/A	N/A
Melfort, SK			Wheat	N/A	N/A	N/A	N/A
			Oat	N/A	N/A	N/A	N/A
	Track		Barley	N/A	N/A	N/A	N/A
Bayport, ON			Wheat	N/A	N/A	N/A	N/A
			Oat	N/A	N/A	N/A	N/A
	Track		Barley	N/A	N/A	N/A	N/A
Montreal, QC			Wheat	N/A	N/A	N/A	N/A
			Oat	N/A	N/A	N/A	N/A
	Track		Barley	N/A	N/A	N/A	N/A
Moncton, NB			Wheat	N/A	N/A	N/A	N/A
			Oat	N/A	N/A	N/A	N/A
	Track		Barley	N/A	N/A	N/A	N/A
Truro, NS			Wheat	N/A	N/A	N/A	N/A
			Oat	N/A	N/A	N/A	N/A
	Track / Truck via Sydney		Barley	N/A	N/A	N/A	N/A
Stephenville, NL			Wheat	N/A	N/A	N/A	N/A
			Oat	N/A	N/A	N/A	N/A
			Barley	N/A	N/A	N/A	N/A
Selected Points		Price Basis		This week 18-Apr-05	Last week 4-Apr-05	Last week 21-Mar-05	Year ago 19-Apr-04
Corn							
From: US Lake Port	On Board Vessel			101.82	101.82	99.82	169.64
To: Montreal, QC (1)	In-store			120.86	120.86	118.86	188.68
From: Chicago (IL)	Track			105.24	105.24	106.04	160.64
To: Montreal, QC	Track			134.10	134.10	134.90	189.50
From: Chatham, ON	Track			106.23	106.23	110.00	165.44
To: Montreal, QC	Track			130.10	130.10	133.87	189.31
Soymeal 48% Protein							
From: Hamilton, ON				279.43	279.43	264.33	418.90
To: Montreal, QC	Track			303.76	303.76	288.66	443.23
Moncton, NB	Track			322.51	322.51	307.41	461.98
Truro, NS	Track			325.73	325.73	310.63	465.20
Stephenville, NL	Track / Truck via Sydney			374.36	374.36	359.26	513.83

- Prices include ONE month of storage and interest charges
n/a = not available
- Thunder Bay prices are based on the Winnipeg Commodities Exchange market close (Cash price)

Source: Market Analysis Division, Agriculture and Agri-Food Canada

Contact: Valérie Chartier: A/Statistical Clerk (204) 983-0581 Fax: (204) 983-5524 e-mail: chartierv@agr.gc.ca

Footnotes: All prices quoted in Canadian dollars per metric tonne.

Grain grades (unless otherwise specified) are: Canada Western Feed Wheat, Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn.

Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec.

Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable

A. SELLING PRICE OF BULK FEED INGREDIENTS AT SELECTED POINTS																			April 18, 2005									
SELECTED POINT	REFERENCE PERIOD	PRICE BASIS	(1) WHEAT	OATS	BARLEY	CORN	PRICE BASIS	SOYBEAN MEAL	CANOLA MEAL	MILL-FEEDS	MEAT MEAL	FISH MEAL	ANIMAL FAT	GLUTEN MEAL	GLUTEN FEED	FEED PEAS	DEHY ALFALFA	FEATHER MEAL										
Vancouver	April 18, 2005	FOB	125.00	N/A	137.00	144.00		297.00	178.00	103.00		837.50	520.00					345.00										
BC (4) (7)	April 11, 2005	FOB	125.00	N/A	137.00	141.50		286.00	169.00	98.00		837.50	520.00					335.00										
Calgary	April 18, 2005	FOB	108.00	N/A	112.00	151.00		294.00			125.00	975.00	555.00					320.00										
AB (4)	April 11, 2005	FOB	114.00	N/A	108.00	139.00		282.50			130.00	975.00	555.00					310.00										
Saskatoon	April 18, 2005	FOB	85.50	135.00	90.00	128.00		297.50	N/A		145.00	N/A	555.00		121.67			370.00										
SK (4)	April 11, 2005	FOB	85.50	135.00	90.00	135.00		286.75	N/A		145.00	N/A	555.00		121.67			360.00										
Winnipeg	April 18, 2005	FOB	128.00	140.00	110.00	115.00		276.00	N/A		290.00	987.50	525.00					330.00										
MB (4) (9)	April 11, 2005	In-Store	128.00	140.00	110.00	118.00		264.50	N/A		290.00	990.00	525.00					330.00										
Thunder Bay	April 18, 2005		106.50	N/A	109.00																							
ON (8)	April 11, 2005		105.50	N/A	111.00																							
Lake Ports	April 18, 2005	On Board				101.82																						
USA (3)	April 11, 2005	Vessel				99.31																						
Bay Ports	April 18, 2005	In-Store	136.00	205.00	138.00																							
ON	April 11, 2005		136.00	205.00	138.00																							
Chatham	April 18, 2005	Track				106.23																						
ON	April 11, 2005					105.44																						
Toronto	April 18, 2005	N/A					FOB				218.00	N/A	430.00	425.00	114.00		265.00	310.00										
ON (5)	April 11, 2005										218.00	N/A	430.00	425.00	114.00		265.00	310.00										
Hamilton	April 18, 2005	N/A						279.43	#N/A																			
ON	April 11, 2005							267.31	#N/A																			
Eastern	April 18, 2005	FOB				107.50																						
ON	April 11, 2005					108.92																						
London	April 18, 2005	FOB												425.00	114.00													
ON	April 11, 2005													425.00	114.00													
Port Colborne	April 18, 2005	FOB								66.50				425.00	114.00													
ON	April 11, 2005									71.50				425.00	114.00													
Cardinal	April 18, 2005	FOB												425.00	114.00													
ON	April 11, 2005													425.00	114.00													
Montreal	April 18, 2005		140.00	150.00	142.00	122.00		284.13	188.40	68.33	200.00	850.00	397.00	425.00	114.00		270.00	320.00										
QC (5)	April 11, 2005		138.00	150.00	148.00	127.00	FOB	280.48	191.35	68.33	200.00	850.00	386.00	425.00	114.00		270.00	310.00										
Trois-Rivières	April 18, 2005	In-Store	139.10		153.00	126.47																						
QC	April 11, 2005		141.00		154.00	127.55																						
St. Jean QC (2)	April 18, 2005	FOB	146.56	124.41	138.97	112.38		275.31																				
St. Hyacinthe QC	April 11, 2005		145.10	124.17	142.25	112.19		276.42																				
Quebec	April 18, 2005	In-Store	139.37	N/A	160.21	131.12		283.30	200.40																			
QC	April 11, 2005		138.83	N/A	164.33	128.14		278.12	200.85																			
Truro	April 18, 2005	Track	170.03		170.00	152.27		327.77	237.03		268.05		505.00					310.00										
NS	April 11, 2005		168.20		174.60	152.69	FOB	323.79	256.77		268.05		505.00					310.00										
Truro	April 18, 2005	Water		N/A	N/A	N/A																						
NS	April 11, 2005	& Truck	N/A	N/A	N/A	N/A																						
Halifax	April 18, 2005	In-Store	N/A	N/A	N/A	N/A		333.25		297.50		1,100.00	N/A															
NS (6)	April 11, 2005		N/A	N/A	N/A	N/A		324.60		297.50		1,100.00	N/A															

Source: Market Analysis Division, Agriculture and Agri-Food Canada; Thunder Bay prices are based on the Winnipeg Commodity Exchange (WCE) market close

Contact: Valérie Charrier A/Statistical Clerk. Telephone: (204) 983-0581 Fax: (204) 983-5524 Email: chartier@agr.gc.ca

US\$1.00=CANS1.2419, closing date April 15, 2005

N/A = not available

Footnotes: All prices in Canadian dollars per metric tonne based on survey respondents.

Grain grades (unless otherwise specified) are: Western or Eastern Feed Wheat, Feed Oats, No.1 Canada Western or Eastern Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn.

Soybean Meal 48 % Protein. Canola Meal based on minimum standard of 35% Protein. Fish Meal: white fish and/or herring meal. Gluten Meal 60% Protein. Gluten Feed 21% Protein.

(1) Wheat 3CWRS. (2) Canadian Corn #3 or #2. (3) US Corn. (4) Fish Meal from West Coast 63% Protein. (5) Fish Meal 60% Protein. (6) Herring Fish Meal. (7) Fraser Valley. (8) Wheat & Barley (Basis - Cash Price WCE). (9) Oats 3CW

Source: Market Analysis Division, Agriculture and Agri-Food Canada; Thunder Bay prices are based on the Winnipeg Commodity Exchange (WCE) market close US\$1.00=CANS1.2419, closing date April 15, 2005
 Contact: Valérie Chantier A/Statistical Clerk. Telephone: (204) 983-0581 Fax: (204) 983-5524 Email: chantier@agr.gc.ca
 N/A = not available

Footnotes: All prices in Canadian dollars per metric tonne based on survey respondents.

Grain grades (unless otherwise specified) are: Western or Eastern Feed Wheat, Feed Oats, No.1 Canada Western or Eastern Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn.
 Soybean Meal 48 % Protein. Canola Meal based on minimum standard of 35% Protein. Fish Meal: white fish and/or herring meal. Gluten Meal 60% Protein. Gluten Feed 21% Protein.

(1) Wheat 3CWRs (2) Canadian Corn #3 or #2 (3) US Corn (4) Fish Meal from West Coast 63% Protein (5) Fish Meal 60% Protein (6) Herring Fish Meal (7) Fraser Valley (8) Wheat & Barley (Basis - Cash Price WCE) (9) Oats 3CW

B. CASH PRICES AND REPLACEMENT VALUES

May 2, 2005

PRAIRIE GRAINS

Selected Points	Price Basis		This week 2-May-05	Last week 18-Apr-05	Month ago 4-Apr-05	Year ago 3-May-04
From: Thunder Bay(WCE) (2)	In-Store	Wheat	106.00	106.00	103.00	180.00
(CBOT)		Oat	142.50	154.00	154.00	180.00
(Lethbridge)		Barley	112.00	114.00	114.50	154.00
To: Bayport, ON (1)	In-store	Wheat	129.61	129.61	126.61	203.61
		Oat	N/A	N/A	N/A	N/A
		Barley	139.39	141.39	141.89	181.39
Montreal, QC (1)	In-store	Wheat	134.03	134.03	131.03	208.03
		Oat	N/A	N/A	N/A	N/A
		Barley	144.31	146.31	146.81	186.31
Moncton, NB	Truck via Halifax	Wheat	156.25	156.25	153.25	230.25
		Oat	N/A	N/A	N/A	N/A
		Barley	168.50	170.50	171.00	210.50
Truro, NS	Truck via Halifax	Wheat	150.22	150.22	147.22	224.22
		Oat	N/A	N/A	N/A	N/A
		Barley	166.00	168.00	168.50	208.00
Halifax, NS (1)	In-store	Wheat	141.28	141.28	138.28	215.28
		Oat	N/A	N/A	N/A	N/A
		Barley	152.30	154.30	154.80	194.30
Stephenville, NL	Track / Truck via Sydney	Wheat	204.63	204.63	201.63	278.63
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A
Melfort, SK		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Bayport, ON		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Montreal, QC		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Moncton, NB		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Truro, NS		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track / Truck via Sydney	Barley	N/A	N/A	N/A	N/A
Stephenville, NL		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A

Selected Points	Price Basis		This week 2-May-05	Last week 18-Apr-05	Last week 4-Apr-05	Year ago 19-Apr-04
Corn						
From: US Lake Port	On Board Vessel		104.16	101.82	101.74	177.13
To: Montreal, QC (1)	In-store		123.20	120.86	120.78	196.17
From: Chicago (IL)	Track		108.12	105.24	106.04	163.10
To: Montreal, QC	Track		136.98	134.10	134.90	191.96
From: Chatham, ON	Track		109.00	106.23	110.00	169.55
To: Montreal, QC	Track		132.87	130.10	133.87	193.42

Soymeal 48% Protein						
From: Hamilton, ON			215.17	279.43	265.43	486.22
To: Montreal, QC	Track		239.50	303.76	289.76	510.55
Moncton, NB	Track		258.25	322.51	308.51	529.30
Truro, NS	Track		261.47	325.73	311.73	532.52
Stephenville, NL	Track / Truck via Sydney		310.10	374.36	360.36	581.15

- Prices include ONE month of storage and interest charges n/a = not available
- Thunder Bay prices are based on the Winnipeg Commodities Exchange market close (Cash price)

Source: Market Analysis Division, Agriculture and Agri-Food Canada

Contact: Valérie Chartier: A/Statistical Clerk (204) 983-0581 Fax: (204) 983-5524 e-mail: chartier@agr.gc.ca

Footnotes: All prices quoted in Canadian dollars per metric tonne.

Grain grades (unless otherwise specified) are: Canada Western Feed Wheat, Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn.

Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec.

Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable

A. SELLING PRICE OF BULK FEED INGREDIENTS AT SELECTED POINTS

August 8, 2006

SELECTED POINT	REFERENCE PERIOD	PRICE BASIS	(1) WHEAT	OATS	BARLEY	CORN	PRICE BASIS	SOYBEAN MEAL	CANOLA MEAL	MILL-FEEDS	MEAT MEAL	FISH MEAL	ANIMAL FAT	GLUTEN MEAL	GLUTEN FEED	FEED PEAS	DEHY ALFALFA	FEATHER MEAL
Vancouver	August 8, 2006	FOB	150.00	N/A	138.00	148.00		237.50	136.00	117.00		1050.00	520.00					385.00
BC (4) (7)	July 31, 2006		150.00	N/A	138.00	149.00		248.00	140.00	115.00		1050.00	520.00					385.00
Calgary	August 8, 2006	FOB	112.00	N/A	112.00	131.00		234.00			150.00	1050.00	430.00					350.00
AB (4)	July 31, 2006		112.00	N/A	112.00	133.00		242.50			150.00	1050.00	430.00					350.00
Saskatoon	August 8, 2006	FOB	112.50	145.00	103.00	125.00		239.00	N/A		160.00	N/A	430.00			119.00		360.00
SK (4)	July 31, 2006		114.00	146.00	105.00	124.00		249.00	N/A		160.00	N/A	430.00			121.00		360.00
Winnipeg	August 8, 2006	FOB	142.50	140.00	111.00	116.00		222.00	N/A		270.00	1112.50	515.00					380.00
MB (4) (9)	July 31, 2006		142.50	140.00	111.00	115.00		231.50	N/A		270.00	1112.50	515.00					380.00
Thunder Bay	August 8, 2006	In-Store	136.00	N/A	109.00													
ON (8)	July 31, 2006		136.08	N/A	107.50													
Lake Ports	August 8, 2006	On Board				108.59												
USA (3)	July 31, 2006	Vessel				107.75												
Bay Ports	August 8, 2006	In-Store	162.00	200.00	122.00													
ON	July 31, 2006		162.00	200.00	122.00													
Chatham	August 8, 2006	Track				104.94												
ON	July 31, 2006					104.21												
Toronto	August 8, 2006	N/A					FOB											
ON (5)	July 31, 2006																	
Hamilton	August 8, 2006	N/A						210.43	N/A		182.00		385.00	N/A			285.00	325.00
ON	July 31, 2006							218.81	N/A		182.00		385.00	N/A			275.00	330.00
Eastern	August 8, 2006	FOB				112.00												
ON	July 31, 2006					110.54												
London	August 8, 2006	FOB												340.00	75.00			
ON	July 31, 2006													340.00	75.00			
Port Colborne	August 8, 2006	FOB								50.00				340.00	75.00			
ON	July 31, 2006									62.00				340.00	75.00			
Cardinal	August 8, 2006	FOB												345.00	90.00			
ON	July 31, 2006													345.00	90.00			
Montreal	August 8, 2006		165.00	160.00	140.00	127.00		223.95	158.50	78.33	180.00	850.00	415.50	N/A	N/A		270.00	360.00
QC (5)	July 31, 2006		163.00	165.00	140.00	127.00	FOB	232.04	164.60	81.67	180.00	850.00	427.50	N/A	N/A		270.00	360.00
Trois-Rivières	August 8, 2006	In-Store	168.50		149.70	133.75												
QC	July 31, 2006		167.75		148.80	132.77												
St. Jean QC (2)	August 8, 2006	FOB	145.38	138.75	129.18	121.99		230.75										
St. Hyacinthe QC	July 31, 2006		145.19	134.75	130.70	119.78		236.75										
Quebec	August 8, 2006	In-Store	166.50	N/A	160.48	130.17		229.12	160.67									
QC	July 31, 2006		166.25	N/A	160.14	129.84		237.09	164.20									
Truro	August 8, 2006	Track	207.68	N/A	161.74	161.74		266.74	197.50		241.10		554.00					360.00
NS	July 31, 2006		201.89	N/A	168.80	158.14	FOB	272.37	197.50		241.10		548.00					360.00
Truro	August 8, 2006	Water	N/A	N/A	N/A	N/A												
NS	July 31, 2006	& Truck	N/A	N/A	N/A	N/A												
Halifax	August 8, 2006	In-Store	186.95	N/A	N/A	154.85		283.00	227.80	297.50		N/A						
NS (6)	July 31, 2006		186.70	N/A	N/A	150.93		290.50	232.15	297.50		N/A						

Closing date August 7/2006

US\$1.00 = CANS 1.127

N/A = not available

Source: Market Analysis Division, Agriculture and Agri-Food Canada; Thunder Bay prices are based on the Winnipeg Commodity Exchange (WCE) market close

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Footnotes: All prices in Canadian dollars per metric tonne based on survey respondents.

Grain grades (unless otherwise specified) are: Western or Eastern Feed Wheat, Feed Oats No. 1 Canada Western or Eastern Barley, No. 2 Canada Yellow Corn, No. 3 US Yellow Corn.

Soybean Meal 48 % Protein, Canola Meal based on minimum standard of 35% Protein, Fish Meal, white fish and/or herring meal, Gluten Meal 60% Protein, Gluten Feed 21% Protein.

(1) Wheat 3CWRS (2) Canadian Corn #3 or #2 (3) US Corn (4) Fish Meal from West Coast 63% Protein (5) Fish Meal 60% Protein (6) Herring Fish Meal (7) Fraser Valley (8) Wheat & Barley (Basis - Cash Price WCE) (9) Oats 3CW



CANADA: PULSE AND SPECIAL CROPS OUTLOOK

April 25, 2005

For 2005-06, total area seeded to pulse and special crops in Canada is forecast to decrease by 6%, from 2004-05, as increases for lentils, dry beans, sunflower seed and chickpeas are more than offset by decreases for dry peas, mustard seed and canary seed. Statistics Canada's (STC) seeding intentions survey, conducted during March 14-31 and released on April 21, provided estimates for most pulse and special crops by province, but in some cases the area seeded has been forecast by AAFC. The actual seeded areas may differ from the intentions due to changes in the market outlook and expected prices, producer reaction to the STC seeding intentions report and soil moisture conditions at the time of seeding. To date, only a small amount of seeding has been completed. It is assumed that precipitation will be normal for the seeding, growing and harvest periods. Trend yields are assumed for both western and eastern Canada, as soil moisture reserves are generally normal. It has been assumed that the abandonment rate and average quality will be normal.

Total production in Canada is forecast to decrease by 12%, from 2004-05, to 4.63 million tonnes (Mt). Total supply is expected to decrease only slightly to 5.74 Mt as higher carry-in stocks offset most of the decrease in production. Exports are forecast to increase moderately due to stronger demand, while domestic use is expected to be similar to 2004-05 because higher average quality reduces dockage and non-traditional use. Carry-out stocks are expected to decrease. Average prices, over all types, grades and markets, are forecast to increase for chickpeas, mustard seed and canary seed, decrease for lentils, dry beans and sunflower seed, and be the same for dry peas and buckwheat. However, prices are expected to be sensitive to any production problems. The main factor to watch will be precipitation during the spring, summer and fall in Canada. Other factors to watch are the exchange rates of the Canadian dollar against the US dollar and other currencies, ocean shipping rates and growing conditions in major producing regions, especially United States, European Union, Turkey, India and Australia.

DRY PEAS

For 2005-06, production and supply are forecast to decrease due to a 2% fall in seeded area and lower trend yields. Production is expected to decrease for yellow, green and other types. World supply is expected to decrease marginally to 12.7 Mt and use is forecast to increase slightly, resulting in lower carry-out stocks. Canadian exports are expected to decrease slightly due to increased competition from the US, where production is forecast to rise sharply, but domestic use is forecast to increase due to stronger demand in the feed sector. Carry-out stocks are forecast to decrease, with a s/u of 12%. The average price, over all types, grades and markets, is forecast to be the same as in 2004-05, in line with the relatively stable world supply.

LENTILS

For 2005-06, production is forecast to decrease, as a 4% rise in seeded area is more than offset by lower trend yields. Production is forecast to decrease for large, medium and small green types, but remain stable for the red type. Supply is expected to increase as higher carry-in stocks more than offset the fall in production. World supply is forecast to increase by 5% to 4.1 Mt due to higher carry-in stocks. Although world use is expected to increase, carry-out stocks are forecast to rise. Although Canadian exports are expected to increase due to higher demand, carry-out stocks are forecast to rise, with a s/u of 29%. The average price, over all types and grades, is forecast to decrease slightly from 2004-05, as pressure from higher world supply is mostly offset by higher average quality.

DRY BEANS

For 2005-06, production and supply are forecast to increase, due to an 18% rise in seeded area, lower abandonment and higher trend yields. Production is expected to increase for all classes, including white pea,

pinto, black, dark and light red kidney, cranberry, Great Northern, small red and pink. In the US, production is forecast to increase by 37% to 1.07 Mt, while supply increases by only 10% to 1.15 Mt due to lower carry-in stocks. Canadian exports are forecast to increase due to higher supply. Carry-out stocks are expected to increase, with a s/u of 5%. The average price, over all classes and grades, is forecast to decrease due to the higher supply.

CHICKPEAS

For 2005-06, production is forecast to increase, as a 15% higher seeded area and lower abandonment more than offset lower trend yields. Production is expected to increase mainly for the large kabuli type, with only minor increases for the small kabuli and desi types. Supply is forecast to decrease, due to lower carry-in stocks. World supply is expected to decrease marginally to 8.8 Mt. Canadian exports are forecast to remain stable, while carry-out stocks remain at a low level. The average price, over all types, grades and sizes, is forecast to increase due to higher average quality.

MUSTARD SEED

For 2005-06, production and supply are forecast to decrease because of a 26% fall in seeded area and lower trend yields. Production is expected to decrease for all types, yellow, brown and oriental. Exports are forecast to rise due to higher demand and carry-out stocks are forecast to decrease, with a s/u ratio of 57%. The average price, over all types and grades, is expected to increase due to the lower supply.

CANARY SEED

For 2005-06, production is forecast to decrease due to a 50% fall in seeded area. World supply is forecast to decrease by 14% to 350,000 t. Canadian exports are expected to increase due to higher demand and carry-

out stocks are forecast to decrease, with a s/u ratio of 35%. The average price is forecast to increase slightly because of the lower supply.

SUNFLOWER SEED

For 2005-06, production and supply are forecast to increase due to a 36% rise in seeded area, lower abandonment and higher trend yields. Production is expected to increase for both types, confectionery and oilseed. US supply is forecast to increase by 30% to 1.43 Mt. World supply is expected to increase marginally to 27.1 Mt. Canadian exports and domestic use are forecast to increase because of the higher supply. Carry-out stocks are expected to increase, with a s/u of 12%. The average price, over both types and all grades, is forecast to decrease because of the higher supply in US and Canada.

BUCKWHEAT

For 2005-06, Canadian production and supply are forecast to increase, with a stable seeded area, lower abandonment and higher trend yields. Exports are forecast to increase and carry-out stocks are expected to be very low. The average price is forecast to be the same as in 2004-05, as support from lower world supply is offset by higher Canadian supply.

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CANADA: PULSE AND SPECIAL CROPS SUPPLY AND DISPOSITION

April 25, 2005

Grain and Crop Year (a)	Area		Yield t/ha	Production	Imports (b)	Total Supply	Exports (b)	Total Domestic Use (d)	Carry-out Stocks	Average Price (e) \$/t
	Seeded 000 ha	Harvested 000 ha								
----- thousand metric tonnes -----										
Dry Peas										
2001-2002	1,344	1,285	1.57	2,023	27	2,245	1,381	589	275	190
2002-2003	1,297	1,050	1.30	1,365	41	1,681	628	743	310	210
2003-2004	1,303	1,271	1.67	2,124	24	2,458	1,317	936	205	175
2004-2005f	1,388	1,345	2.48	3,338	20	3,563	1,950	1,063	550	115-145
2005-2006f	1,362	1,330	2.10	2,790	20	3,360	1,900	1,110	350	115-145
Lentils										
2001-2002	708	664	0.85	566	6	828	478	219	131	320
2002-2003	601	387	0.91	354	9	494	320	119	55	390
2003-2004	554	536	0.97	520	5	580	368	174	38	420
2004-2005f	778	750	1.28	961	7	1,006	540	316	150	295-325
2005-2006f	810	785	1.16	910	5	1,065	575	250	240	290-320
Dry Beans										
2001-2002	184	175	1.70	298	42	390	263	97	30	725
2002-2003	230	219	1.89	414	40	484	297	117	70	445
2003-2004	167	167	2.13	356	31	457	344	83	30	495
2004-2005f	163	126	1.75	220	30	280	205	70	5	645-675
2005-2006f	193	189	1.85	350	30	385	290	75	20	525-555
Chickpeas										
2001-2002	486	467	0.97	455	12	497	146	211	140	380
2002-2003	221	154	1.01	156	9	305	105	140	60	300
2003-2004	63	63	1.08	68	2	130	74	36	20	330
2004-2005f	47	39	1.31	51	5	76	35	36	5	355-385
2005-2006f	54	52	1.15	60	5	70	35	30	5	390-420
Mustard Seed										
2001-2002	166	158	0.66	105	3	213	171	n/a	33	685
2002-2003	289	255	0.60	154	9	196	114	22	60	595
2003-2004	340	328	0.69	226	2	288	121	75	92	390
2004-2005f	317	304	1.00	305	2	399	140	84	175	295-325
2005-2006f	233	226	0.80	180	2	357	150	77	130	310-340
Canary Seed										
2001-2002	170	163	0.70	114	0	184	134	20	30	660
2002-2003	287	227	0.78	176	0	206	164	22	20	575
2003-2004	251	243	0.93	226	0	246	170	n/a	67	345
2004-2005f	356	318	0.94	300	0	367	180	42	145	215-245
2005-2006f	179	174	0.95	165	0	310	185	45	80	225-255
Sunflower Seed										
2001-2002	73	67	1.55	104	29	179	92	65	22	355
2002-2003	100	95	1.65	157	21	200	105	60	35	440
2003-2004	119	115	1.30	150	16	201	96	80	25	405
2004-2005f	87	59	0.92	54	25	104	40	59	5	475-505
2005-2006f	119	112	1.47	165	15	185	90	75	20	385-415
Buckwheat										
2001-2002	16	14	1.14	16	1	17	6	8	3	325
2002-2003	12	12	1.00	12	1	16	6	7	3	340
2003-2004	9	9	1.11	10	1	14	5	7	2	355
2004-2005f	9	7	0.71	5	1	8	2	6	0	340-370
2005-2006f	9	9	1.00	9	1	10	4	6	0	340-370
Total Pulse And Special Crops(c.)										
2001-2002	3,131	2,993	1.23	3,681	120	4,553	2,671	1,218	664	
2002-2003	3,025	2,399	1.16	2,788	130	3,582	1,739	1,230	613	
2003-2004	2,797	2,732	1.35	3,680	81	4,374	2,495	1,400	479	
2004-2005f	3,136	2,948	1.78	5,234	90	5,803	3,092	1,676	1,035	
2005-2006f	2,959	2,877	1.61	4,629	78	5,742	3,229	1,668	845	

(a) August-July crop year.

(b) Excludes products.

(c.) Includes Pulse Crops (dry peas, lentils, dry beans, chick peas) and Special Crops (mustard seed, canary seed, sunflower seed, buckwheat)

(d) Includes food, feed, seed, waste and dockage.

(e) Producer price, FOB plant. Average over all types, grades and markets.

f: forecast, Agriculture and Agri-Food Canada, April 25, 2005

n/a Total domestic use is calculated residually. Based on current data on exports and carry-out stocks, it appears that Statistics Canada's production estimate may be low or carry-out stocks high resulting in a very low residual.

Source: Statistics Canada and industry consultations.



CANADA: PULSE AND SPECIAL CROPS OUTLOOK

August 4, 2006

For 2006-07, the total area seeded to pulse and special crops in Canada decreased by 12% from 2005-06, as higher areas for dry peas, chickpeas and buckwheat were more than offset by lower areas for lentils, dry beans, mustard seed, canary seed and sunflower seed. Statistics Canada's (STC) seeded area survey released on June 22, provided estimates for most pulse and special crops by province, but for some of the smaller producing provinces the area seeded has been forecast by AAFC. Crop development is generally ahead of normal. The abandonment rate is expected to be normal, except for dry peas and canary seed in Saskatchewan for which slightly higher than normal abandonment is forecast because of excessive moisture in north-eastern Saskatchewan, where a significant portion of these crops are produced. Yields are generally expected to be slightly lower than trend in western Canada because of hot and mostly dry weather during July. Trend yields are expected for eastern Canada. It is assumed that precipitation will be normal for the harvest period and that quality will be normal. The dry pea, lentil, chickpea and mustard seed harvest has started.

Total production in Canada is forecast to decrease by 19%, from 2005-06, to 4.29 million tonnes (Mt). Total supply is expected to decrease by 15% to 5.75 Mt, as higher carry-in stocks offset some of the decrease in production. Exports, domestic use and carry-out stocks are forecast to decrease because of the lower supply. Average prices, over all types, grades and markets, are forecast to increase for dry peas, lentils, mustard seed, canary seed and sunflower seed, decrease for dry beans and chickpeas, and be the same for buckwheat. The stronger Canadian dollar, compared to the US dollar, is expected to have the largest impact on dry bean and sunflower seed prices, as Canadian prices for these crops are directly related to US prices. The main factors to watch are Canadian weather conditions, especially precipitation, during the remainder of the growing period for late crops, dry beans, sunflower seed and buckwheat, and during the harvest period for all crops. Other factors to watch are the exchange rates of the Canadian dollar against the US dollar and other currencies, ocean shipping rates and growing conditions in the major producing regions, especially the United States, Australia, India and Mexico.

DRY PEAS

For 2006-07, production and supply are forecast to decrease, as lower yields and higher abandonment more than offset the 4% increase in seeded area. Production is expected to decrease for yellow, green and other types. World supply is forecast to decrease by 2% to 11.86 Mt as slightly higher production, mainly in the US and EU, is more than offset by lower carry-in stocks. Canadian exports are forecast to decrease because of lower Canadian supply and lower demand in the EU feed markets. Carry-out stocks are forecast to decrease, with a stocks-to-use ratio (s/u) of 7%. The average price, over all types, grades and markets, is expected to rise from 2005-06 due to the lower supply.

LENTILS

For 2006-07, production and supply are forecast to decrease sharply due to a 34% lower seeded area and lower yields. Production is expected to decrease sharply for large, medium and small green lentils, but increase for red lentils. Carry-in stocks are forecast to be high for green lentils, but low for red lentils. World supply is forecast to decrease by 2% to 4.43 Mt, due to a fall in the supply of green lentils. Canadian exports are expected to increase because of a higher supply of red lentils. Carry-out stocks are forecast to decrease sharply, with a s/u of 35%. The average price is forecast to increase for green lentils, as the supply of green lentils decreases, but decrease for red lentils, as the supply of red lentils increases. Over all types and grades, the average price is forecast to increase.

DRY BEANS

For 2006-07, production is expected to decrease slightly, as a 15% lower seeded area is partly offset by lower abandonment and higher yields. Production is forecast to increase for Great Northern, pinto and black beans, decrease for light and dark red kidney and cranberry beans,

and remain stable for white pea, pink and small red beans. Supply is expected to increase slightly because of higher carry-in stocks. In the US, production is expected to decrease by 14% to 1.025 Mt, while supply decreases by only 8% to 1.215 Mt due to higher carry-in stocks. Canadian exports are forecast to increase due to the higher supply. Carry-out stocks are expected to remain stable, with a s/u of 7%. The average price, over all classes and grades, is forecast to decrease because of the higher Canadian supply, increased share of lower priced classes of beans in total production, and the stronger Canadian dollar.

CHICKPEAS

For 2006-07, production and supply are forecast to increase, as an 82% higher seeded area more than offsets lower yields. Production is forecast to increase for all types, large kabuli, small kabuli and desi. World supply is expected to decrease by 2% to 8.9 Mt, as an increase for the kabuli type is more than offset by a decrease for the desi type. Although Canadian exports are forecast to increase because of the higher supply, carry-out stocks are expected to rise, with a s/u of 10%. The average price, over all types and grades, is forecast to fall due to higher world supply of the kabuli type, which accounts for about 85% of Canadian production, although the price of the desi type is forecast to increase.

MUSTARD SEED

For 2006-07, production and supply are forecast to decrease because of a 34% lower seeded area and lower yields. Production is expected to decrease for all types, yellow, brown and oriental. A significant portion of the carry-in stocks is expected to be low quality seed. Exports are expected to rise due to higher demand and carry-out stocks are forecast to decrease sharply, with a s/u of 34%. The average

price, over all types and grades, is expected to increase due to the lower supply.

CANARY SEED

For 2006-07, production and supply are forecast to decrease due to a 34% lower seeded area and lower yields. World supply is forecast to decrease by 21% to 345,000 t. Canadian exports are expected to decrease slightly due to higher prices, while carry-out stocks decrease sharply, with a s/u of 43%. The average price is forecast to rise because of the lower supply.

SUNFLOWER SEED

For 2006-07, production and supply are forecast to increase as a 13% lower seeded area is more than offset by lower abandonment and higher yields. Production is expected to increase for both types, confectionery and oilseed. US supply is expected to decrease by 22% to 1.49 Mt. Canadian exports are forecast to increase because of the higher supply. Carry-out stocks are expected to remain stable, with a s/u of 15%. The average price, over both types, is forecast to increase only slightly, as support from lower US supply is mostly offset by pressure from higher Canadian supply and the stronger Canadian dollar.

BUCKWHEAT

For 2006-07, Canadian production and supply are forecast to increase due to higher seeded area. The average price is expected to be the same as in 2005-06.

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CANADA: PULSE AND SPECIAL CROPS SUPPLY AND DISPOSITION

August 4, 2006

Grain and Crop Year (a)	Area Seeded thousand ha	Area Harvested thousand ha	Yield t/ha	Production	Imports (b)	Total Supply thousand	Exports (b) metric tonnes	Total Domestic Use (d)	Carry-out Stocks	Average Price (e) \$/t
Dry Peas										
2002-2003	1,297	1,050	1.30	1,365	41	1,681	626	745	310	210
2003-2004	1,303	1,271	1.67	2,124	24	2,458	1,316	937	205	175
2004-2005	1,388	1,345	2.48	3,338	57	3,600	1,853	1,152	595	135
2005-2006p	1,366	1,319	2.35	3,100	90	3,785	2,500	985	300	120
2006-2007f	1,420	1,349	2.08	2,800	100	3,200	2,000	1,000	200	115-145
Lentils										
2002-2003	601	387	0.91	354	9	494	320	119	55	390
2003-2004	554	536	0.97	520	5	580	367	175	38	420
2004-2005	778	750	1.28	962	10	1,010	451	314	245	310
2005-2006p	884	862	1.48	1,278	10	1,533	640	313	580	230
2006-2007f	587	558	1.20	670	10	1,260	680	250	330	245-275
Dry Beans										
2002-2003	230	219	1.89	414	40	489	298	96	95	445
2003-2004	167	167	2.13	356	31	482	344	83	55	495
2004-2005	163	126	1.75	220	28	303	278	20	5	650
2005-2006p	197	175	1.85	324	35	364	295	44	25	495
2006-2007f	168	165	1.94	320	30	375	305	45	25	470-500
Chickpeas										
2002-2003	221	154	1.01	156	9	345	105	160	80	300
2003-2004	63	63	1.08	68	2	150	74	51	25	330
2004-2005	47	39	1.31	51	4	80	47	28	5	385
2005-2006p	79	73	1.42	104	8	117	75	37	5	485
2006-2007f	144	132	1.14	150	5	160	105	40	15	410-440
Mustard Seed										
2002-2003	289	255	0.60	154	9	196	114	22	60	595
2003-2004	340	328	0.69	226	2	288	121	75	92	390
2004-2005	317	304	1.01	306	1	399	119	86	194	295
2005-2006p	212	206	0.98	201	1	396	135	86	175	265
2006-2007f	140	135	0.89	120	1	296	140	81	75	285-315
Canary Seed										
2002-2003	287	227	0.78	176	0	206	160	26	20	575
2003-2004	251	243	0.93	226	0	246	165	14	67	345
2004-2005	356	318	0.95	301	0	368	163	35	170	230
2005-2006p	190	186	1.22	227	0	397	180	32	185	195
2006-2007f	125	117	0.98	115	0	300	175	35	90	200-230
Sunflower Seed										
2002-2003	100	95	1.65	157	21	200	105	60	35	440
2003-2004	119	115	1.30	150	16	201	96	80	25	405
2004-2005	87	59	0.92	54	35	114	32	64	18	490
2005-2006p	93	75	1.19	89	25	132	45	67	20	345
2006-2007f	81	76	1.45	110	20	150	60	70	20	335-365
Buckwheat										
2002-2003	12	12	1.00	12	1	16	6	7	3	340
2003-2004	9	9	1.11	10	1	14	5	7	2	355
2004-2005	9	7	0.71	5	1	8	4	4	0	355
2005-2006p	7	6	1.33	8	1	9	4	5	0	355
2006-2007f	10	9	1.00	9	1	10	5	5	0	340-370
Total Pulse And Special Crops (c)										
2002-2003	3,036	2,399	1.16	2,788	130	3,627	1,734	1,235	658	
2003-2004	2,805	2,732	1.35	3,680	81	4,419	2,488	1,422	509	
2004-2005	3,145	2,948	1.78	5,237	136	5,882	2,947	1,703	1,232	
2005-2006p	3,028	2,902	1.84	5,331	170	6,733	3,874	1,569	1,290	
2006-2007f	2,675	2,541	1.69	4,294	167	5,751	3,470	1,526	755	

(a) August-July crop year.

(b) Excludes products.

(c) Includes Pulse Crops (dry peas, lentils, dry beans, chick peas) and Special Crops (mustard seed, canary seed, sunflower seed, buckwheat).

(d) Includes food, feed, seed, waste and dockage. Total domestic use is calculated residually.

(e) Producer price, FOB plant. Average over all types, grades and markets.

p: preliminary

f: forecast, Agriculture and Agri-Food Canada, August 4, 2006

Source: Statistics Canada and industry consultations.

CANADA: GRAINS AND OILSEEDS SUPPLY AND DISPOSITION

April 25, 2005

Grain and Crop (a)	Area		Yield t/ha	Production	Imports (b)	Total Supply	Exports (c)	Food and Ind. Use (e)	Feed, & Dockage	Total Dom- estic Use (d)	Carry-out Stocks	Average Price (f) \$/t
	Seeded -----000 ha-----	Harvested										
Durum												
2003-2004	2,483	2,459	1.74	4,280	1	5,900	3,427	252	220	684	1,788	224.21
2004-2005f	2,230	2,141	2.32	4,962	1	6,751	3,100	255	476	951	2,700	200 *
2005-2006f	2,354	2,300	2.08	4,790	1	7,491	3,600	260	411	891	3,000	188 *
Wheat Except Durum												
2003-2004	8,179	8,009	2.41	19,272	16	23,395	12,300	2,775	3,222	6,804	4,292	206.03
2004-2005f	8,170	7,722	2.71	20,898	10	25,200	11,700	2,770	4,800	8,300	5,100	187 *
2005-2006f	7,860	7,595	2.47	18,750	10	23,860	12,400	2,800	3,640	7,260	4,200	183 *
ALL WHEAT												
2003-2004	10,662	10,467	2.25	23,552	18	29,295	15,727	3,027	3,442	7,488	6,080	
2004-2005f	10,399	9,862	2.62	25,860	11	31,952	14,900	3,025	5,276	9,252	7,800	
2005-2006f	10,213	9,895	2.38	23,540	11	31,351	16,000	3,060	4,051	8,151	7,200	
Barley												
2003-2004	5,046	4,446	2.77	12,328	36	13,838	2,445	298	8,574	9,286	2,108	135.80
2004-2005f	4,678	4,050	3.26	13,186	50	15,344	2,100	300	9,339	10,044	3,200	100-120
2005-2006f	4,700	4,215	3.00	12,660	30	15,890	2,500	380	9,505	10,290	3,100	100-120
Corn												
2003-2004	1,265	1,226	7.82	9,587	2,107	12,804	342	2,415	8,892	11,319	1,143	137.18
2004-2005f	1,185	1,072	8.24	8,836	2,100	12,078	150	2,650	8,263	10,928	1,000	90-110
2005-2006f	1,144	1,120	7.66	8,580	2,400	11,980	150	2,700	8,315	11,030	800	90-110
Oats												
2003-2004	2,272	1,575	2.34	3,691	19	4,234	1,557	140	1,569	1,876	800	136.65
2004-2005f	1,995	1,315	2.80	3,683	20	4,504	1,500	150	1,567	1,904	1,100	120-140
2005-2006f	2,292	1,710	2.55	4,360	15	5,475	1,800	170	1,905	2,275	1,400	105-115
Rye												
2003-2004	246	147	2.22	327	0	357	171	47	70	135	50	104.44
2004-2005f	284	165	2.53	418	1	469	250	48	99	164	55	65-85
2005-2006f	228	145	2.14	310	1	366	150	48	101	166	50	65-85
Mixed Grains												
2003-2004	241	135	2.84	384	0	384	0	0	384	384	0	
2004-2005f	233	111	2.87	318	0	318	0	0	318	318	0	
2005-2006f	249	145	2.83	410	0	410	0	0	410	410	0	
TOTAL COARSE GRAINS												
2003-2004	9,070	7,529	3.50	26,317	2,161	31,617	4,516	2,900	19,489	23,001	4,101	
2004-2005f	8,374	6,713	3.94	26,441	2,171	32,713	4,000	3,148	19,586	23,358	5,355	
2005-2006f	8,612	7,335	3.59	26,320	2,446	34,121	4,600	3,298	20,236	24,171	5,350	
Canola												
2003-2004	4,736	4,689	1.44	6,771	243	7,908	3,754	3,390 ¹	110	3,542	612	387.04
2004-2005f	5,319	4,938	1.57	7,728	150	8,490	3,400	3,200 ¹	420	3,665	1,425	285-325
2005-2006f	4,886	4,767	1.41	6,725	200	8,350	3,400	3,100 ¹	555	3,700	1,250	280-320
Flaxseed												
2003-2004	745	728	1.04	754	22	905	609	n/a	n/a	199	97	382.13
2004-2005f	728	528	0.98	517	35	649	455	n/a	n/a	144	50	525-575
2005-2006f	868	846	1.21	1,025	20	1,095	700	n/a	n/a	245	150	320-360
Soybeans												
2003-2004	1,051	1,047	2.17	2,268	587	3,000	913	1,500 ¹	319	1,947	140	395.04
2004-2005f	1,229	1,178	2.59	3,048	400	3,588	1,000	1,450 ¹	488	2,063	525	225-265
2005-2006f	1,225	1,211	2.47	2,990	250	3,765	1,000	1,750 ¹	505	2,365	400	200-240
TOTAL OILSEEDS												
2003-2004	6,531	6,464	1.52	9,794	852	11,813	5,276	n/a	n/a	5,688	849	
2004-2005f	7,277	6,643	1.70	11,293	585	12,727	4,855	n/a	n/a	5,873	2,000	
2005-2006f	6,979	6,823	1.57	10,740	470	13,210	5,100	n/a	n/a	6,310	1,800	
TOTAL GRAINS AND OILSEEDS												
2003-2004	26,263	24,461	2.44	59,663	3,030	72,725	25,518	n/a	n/a	36,177	11,030	
2004-2005f	26,050	23,219	2.74	63,595	2,767	77,392	23,755	n/a	n/a	38,482	15,155	
2005-2006f	25,805	24,053	2.52	60,600	2,927	78,682	25,700	n/a	n/a	38,632	14,350	

(a) August - July crop year except corn and soybeans which are September - August.

(b) Excludes imports of products.

(c) Includes exports of products for wheat, oats, barley, and rye. Excludes exports of oilseed products.

(d) Total = F&I + FWD + Seed Use

(e) Industrial use excludes flaxseed due to data confidentiality.

(f) Crop year average prices: No.1 CWSR 11.5% protein and No.1 CWAD 11.5% (CWB final price I/S St. Lawrence/Vancouver), Barley (No. 1 feed, WCE, cash, I/S Lethbridge), Corn (No.2 CE, cash, I/S Chatham), Oats (US No. 2 Heavy, CBoT nearby futures); Rye (No.2 Canada, Elevator bids at select western delivery points); Canola (No. 1 Canada, WCE, cash, I/S Vancouver); Flaxseed (No. 1 CW, WCE, cash, I/S Thunder Bay); Soybeans (No. 2, I/S Chatham).

* CWB Pool Return Outlook (PRO) - March 2005

^{1/} Source for Food and Industrial Use is based on data from the Canadian Oilseed Processors Association.

f: forecast - Agriculture and Agri-Food Canada - April 25, 2005

Source: Statistics Canada, Cereals and Oilseeds Review Series, Cat. No. 22-007



CANADA: GRAINS AND OILSEEDS OUTLOOK

April 25, 2005

Statistics Canada's survey of seeding intentions for 2005 indicates that Canadian farmers plan to increase their areas of durum wheat, flaxseed, oats and summerfallow, leave their areas of barley, soybeans relatively unchanged, while seeding less non-durum wheat, rye, corn and canola. Agriculture and Agri-Food Canada (AAFC) forecasts that total production of grains and oilseeds in Canada will decline by 5%, to 61 million tonnes (Mt), just above the 10-year average of 59 Mt. In western Canada, production is forecast to decrease by 5%, to 46 Mt. The decline is due to reduced seeded area and expectations of lower yields compared to the above-normal levels achieved for most crops in 2004. Normal abandonment, trend yields and normal crop quality have been assumed for both western and eastern Canada. Soil moisture reserves are generally good in western Canada. Total exports of grains and oilseeds are forecast to increase by 8% due to increased supplies and better quality. Canadian prices for all grains and oilseeds will remain pressured by lower world prices and the relatively strong Canadian dollar. Factors to watch are: Chinese import demand, South American growing conditions, EU grain export subsidy levels, the US winter wheat condition, ocean freight rates and the Canada/US exchange rate.

WHEAT (ex-durum)

For 2005-06, production is forecast to fall by 10%, with a smaller seeded area and lower yields partly offset by reduced abandonment. Carry-in stocks are expected to rise by almost 20%, however, due to the low quality of the 2004-05 crop, and will be largely of low quality wheat so that supply falls by only 5%. Exports are forecast to increase by 0.6 Mt due to increased supplies of high quality wheat. Wheat feeding is expected to be at an historically high level, due to the large carry-in stocks of feed wheat. Carry-out stocks are expected to fall by more than 15%. The CWB Pool Return Outlook (PRO) for high quality wheat is lower than 2004-05, due to expected higher supplies, with returns for lower quality wheat expected to be relatively unchanged.

DURUM

Production is forecast to decline slightly, with a return to lower trend yields more than offsetting the larger area, but high carry-in stocks will result in over 10% greater supplies. The increased stocks are due to the reduced supplies of top-quality durum and weak export demand as a result of large crops in North Africa and the EU in 2004-05. Exports are expected to increase by 16% due to increased supplies of good quality durum and reduced production in the EU. Carry-out stocks are projected to increase to a record 3.0 Mt. The CWB PRO for 2005-06 is down, largely due to increased supplies in North America.

BARLEY

Production is forecast to decline by about 0.5 Mt, but supply is expected to rise due to higher carry-in stocks which resulted from the large production of low-quality barley in 2004-05. Exports are expected to increase by nearly 20% as the supply

of malting quality barley increases.

Carry-out stocks are expected to remain high historically and the off-Board feed barley price is forecast to be similar to 2004-05. Malting barley prices will be pressured by higher world production, with the CWB PRO for Special Select 2-row malting barley down by \$7/t from 2004-05 at \$173/t.

OATS

Production is forecast to rise by 18% due to increased seeded area and reduced abandonment. Carry-in stocks are forecast to be higher, due to reduced exports in 2004-05 related to the poor quality of the crop. As a result, total supply is expected to rise by 22%. Exports are forecast to rise by 0.3 Mt due to increased supplies, improved crop quality and stronger US demand. Carry-out stocks are expected to reach the highest level since 1978-79. Therefore, oat prices are forecast to decline, with a smaller premium for milling oats.

CORN

Production is expected to decrease slightly due to lower yields, although harvested area is expected to rise due to lower abandonment. Imports are forecast to increase, following lower corn production in eastern Canada and lower feed wheat and barley production in western Canada. Food and industrial use is forecast to rise marginally due to increased ethanol production. Prices are expected to remain pressured by low US prices and the strong Canadian dollar.

CANOLA

Production is forecast to decrease by about 1.0 Mt to 6.7 Mt because of lower seeded area and yields. Carry-in stocks are expected to rise sharply, to 1.4 Mt, the 2nd highest on record, as domestic crush and exports for 2004-05 remain pressured by sharply higher world oilseed supplies. Supplies are

expected to remain historically high.

Exports are forecast to remain stable while domestic crush declines slightly. Carry-out stocks are projected to drop but remain burdensome. Prices are projected to decline marginally due to lower world soybean and soyoil prices.

FLAXSEED (excluding solin)

Production is expected to nearly double, to the highest level since 1998-99, because of the sharp rise in seeded area and yields. The rise in supplies is expected to be moderated by the tight carry-in stocks, as exports to the EU in 2004-05 remain strong despite sharply higher prices. Exports and total domestic use are forecast to rise. Carry-out stocks are forecast to triple to near-record levels pressuring prices to historically more normal levels.

SOYBEANS

Production is forecast to decline marginally, as lower yields are more than offset by the rise in harvested area. Record carry-in stocks are expected because of high imports and the slower crush pace in 2004-05. Record large supplies are projected. Exports are forecast to remain stable, while domestic crush increases to historically normal levels. Carry-out stocks are expected to remain burdensome. The price of soybeans is forecast to fall due to lower US and South American soybean prices.

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SOYBEANS: SITUATION AND OUTLOOK

Soybean prices have decreased sharply during 2004-05 under pressure from record large production in the US combined with an expected record large output in South America. The consumption of soybeans is also growing, although at a slower pace, as rising world incomes increase the demand for soybean meal and soybean oil. World carry-out stocks are forecast to rise sharply. For 2005-06, world soybean prices are expected to remain depressed and slow down the expansion of soybean area in Brazil. Canadian output is projected to drop slightly as a decline in yields more than offsets a slight rise in harvested area. Over the medium term, the world soybean sector is projected to grow as the processing industry expands in emerging-economy countries.

SITUATION

Soybeans make up about 70% of the world's output of the 7 major oilseeds (soybeans, cottonseed, peanut, sunflowerseed, canola/rapeseed, copra and palm kernel). The importance of soybeans in the oilseeds sector continues to grow with output expanding by one-quarter or 55 million tonnes (Mt) since 2000-01. Most of this growth in output has been due to the expansion of seeded area in South America, primarily Brazil, which continues to develop its interior regions. The area seeded to soybeans expanded sharply in Argentina also. By contrast, seeded area in the United States (US) has remained stable. The growth in output in the US has been due to increased yields from active breeding programs which resulted in the release of improved varieties.

For 2004-05, world soybean production is expected to set a record of about 219 Mt, supporting a sharp rise in world soybean supplies.

The global soybean crush is projected to rise by 6% due to increased processing in China, Brazil, the US and Argentina. The growth in global processing is being supported by higher soyoil and soymeal consumption, particularly in China, as part of the worldwide trend towards greater urbanization, higher disposable incomes and increased consumption of animal and vegetable protein.

The consumption of edible soybeans in human diets is also projected to rise. As part of the industrialization process and the growing sophistication of the global food supply chain, the processing of food-grade soybeans into edible products has been expanding, particularly in Asia. Some of these products, for example soy sauce, are

then exported to the European Union (EU). Soybeans grown in North America may be shipped to Guangdong province, north of Hong Kong, processed and re-exported to Europe or North America.

The crushing of soybeans is diversifying away from its historical base in the US and the EU into South America and Asia. This trend has been supported by financial incentives, differential tariffs and favourable regulations as part of developing countries' initiatives to increase domestic employment and economic growth. Over the past few years, this move has been supported by low interest rates and the strong US dollar. Rising ocean freight rates, the devaluation of the American dollar and a possible rise in interest rates in 2005 and beyond, which all increase costs, is expected to slow down the expansion of soybean crush plants in Asia and South America.

As a result of the sharp rise in supply

compared to usage, carry-out stocks of soybeans are expected to be burdensome for 2004-05.

Record US Crop Burdens the World Oilseed Sector.

The United States produced a record large soybean crop in 2004-05 on support from a

Soybeans: Supply & Disposition			
	2003-04	2004-05e	2005-06f
	..... million tonnes		
World (October-September)			
Carry-In Stocks	40.75	37.41	52.59
Production	188.81	219.23	225.02
Total Supply	229.56	256.64	277.61
Crush	164.34	174.29	175.00
Other	27.81	29.25	30.61
Total Usage	192.15	204.05	207.61
Carry-Out Stocks	37.41	52.59	65.00
Trade	55.59	62.49	64.00
United States (September-August)			
Carry-In Stocks	4.85	3.06	10.21
Production	66.78	85.48	80.28
Imports	0.15	0.14	0.08
Total Supply	71.78	88.68	90.57
Crush	41.63	44.91	46.13
Other	3.00	4.17	4.03
Total Domestic Usage	44.63	49.08	50.16
Exports	24.09	29.39	28.85
Carry-Out Stocks	3.06	10.21	11.56
Canada (September-August)			
Carry-In Stocks	0.14	0.14	0.53
Production	2.27	3.05	2.99
Imports	0.59	0.40	0.25
Total Supply	3.00	3.59	3.77
Crushing	1.50	1.45	1.75
Other	0.45	0.61	0.62
Total Domestic Use	1.95	2.06	2.37
Exports	0.91	1.00	1.00
Carry-out Stocks	0.14	0.53	0.40
e: USDA and AAFC April 2005 estimates			
f: USDA and AAFC April 2005 forecasts			
Source: USDA. Statistics Canada. AAFC			

e: USDA and AAFC April 2005 estimates
f: USDA and AAFC April 2005 forecasts
Source: USDA, Statistics Canada, AAFC

1.5 million acre increase in harvested area and a record high yield of 42.5 bushels per acre. Record yields were set as a result of the cooler than normal weather during the critical pod setting period in August which reduced floral abortion, followed by the warmest weather in 100 years during September which aided in pod filling allowing plants to express their genetic potential and bringing plants to maturity. As a result, US soybean output increased by 28% from the drought reduced crop of 2003-04.

Demand for US soybeans appears to be relatively stable as crush and exports rebound to pre-2003-04 levels. Domestic crush of soybeans is expected to reach about 45 Mt on growing demand for soybean meal. US exports are expected to rebound from 2003-04 but remain around the 28 Mt recorded in 2001-02 and 2002-03. Carry-out stocks are expected to be extremely burdensome for 2004-05, tripling from the tight levels of 2003-04, and double the 2000-01 level when the benchmark US farmgate price fell to US\$4.50 a bushel.

Brazil Plagued by Drought and Disease
Brazilian soybean production is forecast at a record 54 Mt, 4% above 2003-04, as the result of hot and dry growing conditions combined with an outbreak of Asian rust. Despite the decline in output from previous forecasts, supplies are expected to remain burdensome because of the large carry-in stocks.

Demand for Brazilian soybeans is expected to increase moderately in 2004-05. Domestic processing of soybeans is expected to grow slightly, to about 31 Mt, largely on an expected 1.0 Mt increase in soy meal exports, to about 16 Mt. Exports of

soy oil are projected to remain stable at about 2.7 Mt. Exports of soybeans are expected to grow modestly, to about 21 Mt, as pressure from higher ocean freight rates and the decline in the value of the US dollar, against the real, more than offsets support by higher supplies. Carry-out stocks are expected to rise to a record 18 Mt, vs 17 Mt for 2003-04 and the five year average of 15 Mt.

Argentina Output Rises

Argentina is the world's third largest producer of soybeans, accounting for almost one-fifth of world production and it is the world's largest exporter of soy meal and soy oil. Soybean production has increased steadily over the past five years due to increase in seeded area because of the devaluation of the peso, domestic economic reforms and transformation of the agricultural industry. For 2004-05, Argentine soybean production is projected at 39 Mt, up 6.0 Mt from the previous year. Exports of soybeans are expected to be about 7.5 Mt, similar to the five year average. Domestic processing of soybeans is expected to rise slightly, up by less than 1 Mt to about 26 Mt. This is a slowdown from the rapid pace of growth in the early 2000's when Argentine crushing grew by up to 20% a year. Similar to the US and Brazil, carry-out stocks are expected to rise to a burdensome 17 Mt, about 30% of the world carry-out, versus 13 Mt in 2003-04 and the five year average of around 10 Mt.

China is world's largest importer

Since 2000-01, China has emerged as a major driver in the world soybean market. For 2004-05, Chinese imports of about 23

Canadian Soybean Exports by Country of Destination

	2002-03	2003-04	2004-05e	2005-06f
	.....thousand tonnes.....			
Japan	140.5	253.3	250.0	250.0
Iran	60.8	62.0	200.0	200.0
France	33.9	19.4	125.0	125.0
Netherlands	34.2	138.4	120.0	120.0
Malaysia	119.8	96.8	100.0	100.0
Belgium	37.2	91.1	50.0	50.0
Finland	24.2	0.0	35.0	35.0
Egypt	0.0	0.0	20.0	20.0
Spain	40.1	10.1	15.0	15.0
Other	232.5	242.5	85.0	85.0
Total	723.2	913.6	1,000.0	1,000.0

e,f: forecast, Agriculture and Agri-Food, April 2005
Source: Statistics Canada

Mt are expected to make up one-third of the world trade in soybeans. China is also the world's fourth largest soybean producer with output projected at 18 Mt. Chinese crush of soybeans has expanded by over 50% since 2000-01, to about 29 Mt forecast for 2004-05.

Some of the apparent growth in crush is due to the switch from small-scale processing, where the collection of official census data was uneven, to large scale operations where the data is easy to collect. Soybean crush capacity has expanded significantly in China over the past few years, largely in the coastal regions, through joint ventures between local companies and multi-national corporations.

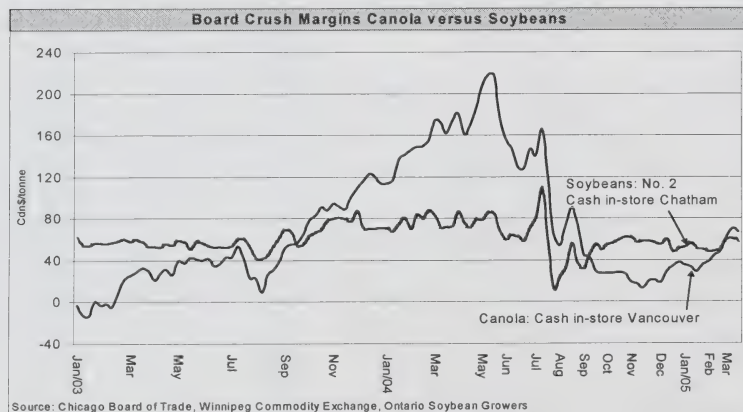
Edible soybeans account for about 40% of the soybeans consumed annually in China. China is a major producer and consumer of soy-sauce, tofu and soy-milk. Many of these edible products are made from soybeans with specialized characteristics generally either high protein or high-sugars. The size of the Chinese edible food market is expected to continue growing, making up a large, potentially underserved, segment for edible soybeans.

European Union: imports hold steady

Historically, the EU has been a major importer of soybeans. As a result of short supplies of protein meal, the EU imports between 14 Mt to 19 Mt of soybeans annually for processing. All of the soy meal is consumed within the EU while about one quarter of the soy oil is exported. With the soybean crush remaining relatively stable, the EU's position as a soy oil exporter has declined in relative importance.

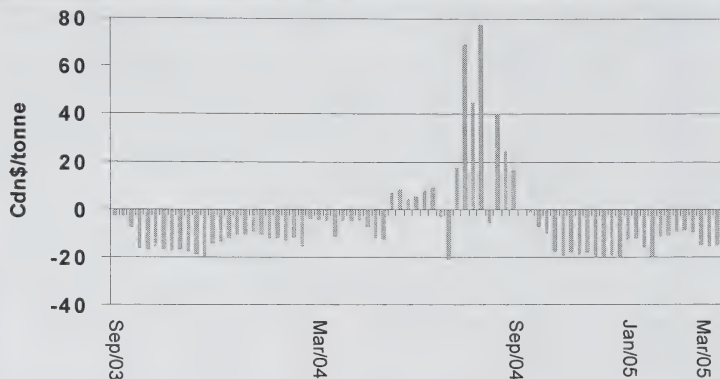
Canada: record production due to good growing conditions in Eastern Canada

In Canada, soybean production is concentrated in the provinces of Ontario and Quebec, although within the past few years soybean production has expanded in Manitoba. During 2004-05, the area seeded to soybeans in Canada increased by 17% to about 1.23 mln ha. However, higher than



For 2004-05, the soybean crush margin is trending between \$40 to \$60 a tonne as the drop in soybean meal and soy oil prices was matched by lower soybean prices. The soybean crush pace is forecast to remain strong for the rest of 2004-05 and into 2005-06.

Soybean Basis Chicago Cash In Store - Chatham



Source: Chicago Board of Trade, Ontario Soybean Growers

For 2004-05, the basis between Chicago-cash and Chatham soybeans is trending between minus \$10 to minus \$20 a tonne. The basis had flipped late in 2003-04 when the tight domestic supplies sent Ontario prices soaring. For 2005-06, the basis is forecast to average C\$10 to \$20 a tonne under the Chicago cash due to burdensome supplies.

normal abandonment, due to cold and wet growing conditions, resulted in harvested area rising by only 13% to 1.18 mln ha. Most of the loss occurred in Manitoba where almost one-half of the soybeans were abandoned. Growing conditions were near ideal in Ontario and Quebec where both provinces experienced the highest yields since 1999-00.

For 2004-05, a record 3.05 Mt of soybeans were produced, a 33% rise in output compared to 2003-04. By province, 2.48 Mt of soybeans were produced in Ontario, 0.54 Mt in Quebec and only 45,000 tonnes in Manitoba.

Demand for Canadian soybeans is expected to remain strong for 2004-05, despite competition from burdensome US and South American supplies. Domestic crush of soybeans is expected to decline but record exports are expected. Exports of Canadian soybeans have increased sharply to Iran and France, more than offsetting a decline in shipments to Belgium and Germany. Carry-out stocks are forecast to rise sharply.

Soybean prices drop sharply

For 2004-05, the average US farmgate price for soybeans is expected to drop to US\$5.40/bu from US\$7.34/bu a bushel in 2003-04. In Canada, soybean prices in-store Chatham are forecast to average C\$245/t down from C\$395/t in 2003-04. The relatively larger price drop in Canada is

largely due to the devaluation of the US dollar against the Canadian dollar from C\$1=US\$0.75 on March 31 2004, to trading around the C\$1=US\$0.81-0.83 cents in March of 2005. If the Canadian currency had remained stable, the expected price for Canadian soybeans would have been C\$245-285 a tonne for 2004-05.

OUTLOOK: 2005-06

The area seeded to soybeans is expected to remain stable for 2005-06 as a forecasted drop in the soybean area in the US offsets a projected small increase in the seeded area in Brazil. World soybean output is forecast to rise, as an increase in Brazilian production offsets a sharp drop in US output resulting from lower yields.

World soybean supplies are forecast to rise as the sharp rise in carry-in stocks supports the increase in output.

World crush of soybeans is forecast to rise slowly as pressured crush margins slow down the growth in crush capacity in developing countries. Other or edible consumption of soybeans is expected to grow due to increased consumption in a wide number of countries. Carry-out stocks are expected to rise sharply as the growth in supplies overwhelms the relatively slower growth in consumption. For carry-out stocks to remain at 2004-05 levels, the world soybean crush would have to rise by about 13 Mt and edible soybean consumption would have to increase by about 3.0 Mt.

US production to decline

For 2005-06, the area seeded to soybeans in the US is forecast to fall by 1.3 million acres to 73.9 million acres, with harvested area forecast to 72.6 million acres. Assuming normal growing conditions, yields are expected to decline to trend levels of 40.6 bushels per acre compared to the record yields set in 2004-05.

Production is forecast to fall to 2.95 billion bushels for 2004-05, a drop of 190 million bushels from the previous year. Supplies are projected to rise slightly to 3.36 billion bushels as the sharp rise in carry-in stocks offsets the decline in output. Demand for US soybeans is forecast to grow slowly during 2005-06 with exports and crush forecast to rise by 50 and 40 million bushels, respectively.

Carry-out stocks are projected to rise to 425 million bushels and the average US farmgate soybean price is forecast to fall by US\$0.90 a bushel to US\$4.50 a bushel. Factors to watch include the impact of the Asian rust fungus, which can overwinter on the kudzu plant which is common across the southern US, the value of the US dollar and ocean freight rates.

Brazil

For 2005-06, the area seeded to soybeans is expected to rise marginally as the pace of expansion slows down under pressure from lower prices, higher fertilizer costs and higher ocean freight rates. Total soybean production is forecast to rise to about 66 Mt, assuming normal growing conditions and minimal impact from Asian Rust. Total supplies are forecast to rise to a record 87 Mt due to sharply higher carry-in stocks. Soybean exports are forecast to rise to 26 Mt while domestic crush rises to about 32 Mt. Carry-out stocks are projected to remain burdensome.

Argentina

The area seeded to soybeans is forecast to remain stable in 2005-06 under pressure from lower prices, implying a production of 38 Mt. Supplies are projected to rise to 55 Mt on support from sharply higher carry-in stocks. Soybean exports are forecast to rise to 9 Mt while the domestic crush rises slightly to 27 Mt. Carry-out stocks are forecast to rise to a record 19 Mt.

Chinese imports to rise

Soybean area is forecast to decline marginally for 2005-06 because of limited land area and domestic support for competing crops. Assuming trend yields, soybean production is forecast to decline slightly. Soybean imports are projected to rise to about 25 Mt for 2005-06.

Record supplies in Canada

The area seeded to soybeans is forecast to decrease marginally. Production is forecast to fall marginally as the return to trend yields more than offsets a rise in harvested area. Record large soybean supplies are forecast as large carry-in stocks more than offset the expected drop in output. Total domestic usage is forecast to rise to a record high of around 2.4 Mt for 2005-06 because of higher crushing volumes. Exports are projected to remain at 1.0 Mt, on support from shipments of identity preserved, edible soybeans into the human food market.

Carry-out stocks are forecast to remain burdensome.

The average price for Canadian soybeans, in-store Chatham, is forecast to decline to a range of C\$200-240 a tonne under pressure from lower US prices.

Soybean market expands over the medium term.

By 2014-15, world soybean production is forecast to rise by 18% to 273 Mt with Brazil expected to overtake the US as the world's largest producer by 2010-11, according to the US based Food and Agricultural Policy Research Institute. By 2014-15, Brazil is expected to produce 35% of the world's soybeans while the US produces 30%. World soybean production is expected to become more concentrated with the US, Brazil and Argentina accounting for 85 % of the total world output.

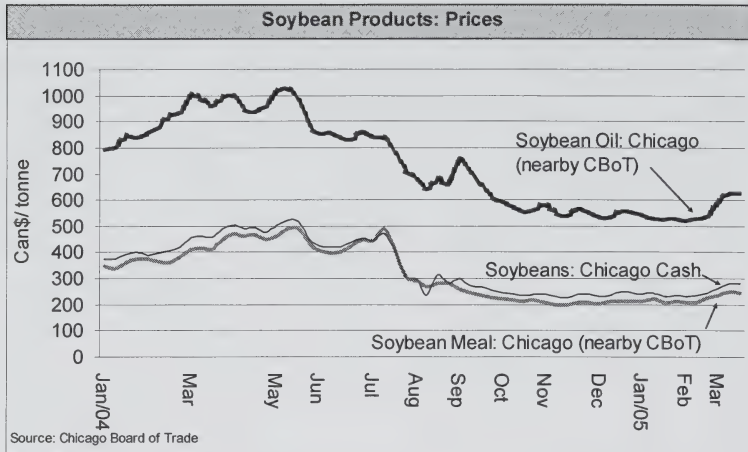
Growth in world soybeans usage is driven by **Chinese** demand as that country overtakes the US as the world's largest consumer by 2012-13. By 2014-15, China is expected to consume 22%, of the world's soybeans versus 18% currently. Consumption is expected to grow in Brazil and Argentina but the importance of the EU-25 is expected to decline because of its stable meal demand and high crushing cost. The utilization of soybeans by the rest of the world is forecast to remain stable at 10% of total world consumption.

By 2006-07, **Brazil** is expected to surpass the US as the world's largest soybean exporter and is expected to account for one-half of the world shipments by 2014-15. Further expansion of frontier lands, conversion of pastures, improved yields and an improved transportation infrastructure is projected to support the soybean industry, which is projected to reach 95 Mt by 2014. Exports are expected to grow to 45 Mt by 2014-15, as the expansion of the crushing industry fails to keep pace with rising output. Crush capacity is projected to rise to about 50 Mt over the next ten years.

In **Argentina**, soybean area is forecast to rise by 29% over the medium term which combined with yield improvements is expected to result in a 36% rise in output. The domestic processing sector is expected to grow at the same pace, with most of the soy-products destined for export.

US market share is projected to decline from 44% currently to 28% by 2014-15. The area seeded to soybeans is projected to remain stable, while production rises slightly due to increasing yields. Domestic crush is projected to rise at about the same rate as production. Exports are projected to remain stable at 25 Mt

By 2014-15, **Chinese** import demand is forecast to grow and account for almost one-half of the world's imports of soybeans.



At the same time, Chinese soybean area is projected to decline by 8% with improved yields supporting a marginal rise in output. Driven by strong oil demand, soybean crush is projected to grow by about 6% annually over the medium term, reaching 48 Mt, while food use rises to slightly under 5 Mt annually.

Canadian soybean production is projected to rise to slightly over 3.0 Mt because of a stable seeded area and higher yields following the expected release of improved varieties. Canada is expected to remain competitive due to rising demand for soybeans in the crush, edible-food and biodiesel markets.

A number of organizations are coordinating efforts on market development for Canadian soybeans. The Canadian Soybean Export Association is a volunteer association of members of the Canadian soybean industry working to promote the export of soybeans and products into world markets. In the future, more of this work maybe assumed by the Canadian International Grains Institute. This work is further supported through breeding and agronomy efforts to develop premium, food-grade, identity-preserved, soybeans to meet specific consumer needs. Soyfoods Canada is focused on expanding growth in domestic soybean consumption for products such as soy-milk. The BioDiesel Association of Canada is investigating increased use of biodiesel in mass transit, marine and environmentally sensitive areas such as mines. The Vegetable Oil Industry Coalition is playing a major role in reducing interprovincial trade barriers as well as Trans-Fat issues.

Over the medium term, the factors to watch in the soybean market are: (1) the 2007 US farm bill, with early reports indicating a scaling back in support payments and possibly replacing the marketing loan rates with countercyclical payments, (2) the impact of Asian rust on US and South American soybean production, (3) the trans-

fat issue, which may lead to reduced usage of hydrogenated oil, (4) the rate of expansion in South American soybean area, (5) the growth in Chinese import demand as the result of rising vegetable oil and meat consumption and (6) rising fuel prices and freight rates which increase the transport cost of soybeans and reduce South America's competitiveness into the Asian market.

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B. CASH PRICES AND REPLACEMENT VALUES

March 21, 2005

PRAIRIE GRAINS

Selected Points	Price Basis		This week 21-Mar-05	Last week 7-Mar-05	Month ago 21-Feb-05	Year ago 22-Mar-04
From: Thunder Bay(WCE) (2)	In-Store	Wheat	103.00	101.00	98.00	170.00
(CBOT)		Oat	154.25	154.20	159.50	172.00
(Lethbridge)		Barley	110.80	110.50	109.00	142.00
To: Bayport, ON (1)	In-store	Wheat	126.61	124.61	121.61	193.61
		Oat	N/A	N/A	N/A	N/A
		Barley	138.19	137.89	136.39	169.39
Montreal, QC (1)	In-store	Wheat	131.03	129.03	126.03	198.03
		Oat	N/A	N/A	N/A	N/A
		Barley	143.11	142.81	141.31	174.31
Moncton, NB	Truck via Halifax	Wheat	153.25	151.25	148.25	220.25
		Oat	N/A	N/A	N/A	N/A
		Barley	167.30	167.00	165.50	198.50
Truro, NS	Truck via Halifax	Wheat	147.22	145.22	142.22	214.22
		Oat	N/A	N/A	N/A	N/A
		Barley	164.80	164.50	163.00	196.00
Halifax, NS (1)	In-store	Wheat	138.28	136.28	133.28	205.28
		Oat	N/A	N/A	N/A	N/A
		Barley	151.10	150.80	149.30	182.30
Stephenville, NL	Track / Truck via Sydney	Wheat	201.63	199.63	196.63	268.63
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A
Melfort, SK		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Bayport, ON		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Montreal, QC		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Moncton, NB		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Truro, NS		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track / Truck via Sydney	Barley	N/A	N/A	N/A	N/A
Stephenville, NL		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A

Selected Points	Price Basis		This week 21-Mar-05	Last week 7-Mar-05	Last week 21-Feb-05	Year ago 22-Mar-04
Corn						
From: US Lake Port	On Board Vessel		101.69	101.79	102.39	166.10
To: Montreal, QC (1)	In-store		120.73	120.83	121.43	185.14
From: Chicago (IL)	Track		107.37	107.48	108.21	167.15
To: Montreal, QC	Track		136.23	136.34	137.07	196.01
From: Chatham, ON	Track		114.04	112.57	110.28	163.18
To: Montreal, QC	Track		137.91	136.44	134.15	187.05

Soymeal 48% Protein						
From: Hamilton, ON			270.17	270.17	272.27	432.20
To: Montreal, QC	Track		294.50	294.50	296.60	456.53
Moncton, NB	Track		313.25	313.25	315.35	475.28
Truro, NS	Track		316.47	316.47	318.57	478.50
Stephenville, NL	Track / Truck via Sydney		365.10	365.10	367.20	527.13

1. Prices include ONE month of storage and interest charges n/a = not available
 2. Thunder Bay prices are based on the Winnipeg Commodities Exchange market close (Cash price)

Source: Market Analysis Division, Agriculture and Agri-Food Canada

Contact: Valérie Chartier: A/Statistical Clerk (204) 983-0581 Fax: (204) 983-5524 e-mail: chartierv@agr.gc.ca

Footnotes: All prices quoted in Canadian dollars per metric tonne.

Grain grades (unless otherwise specified) are: Canada Western Feed Wheat, Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn.

Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec.

Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable

A. SELLING PRICE OF BULK FEED INGREDIENTS AT SELECTED POINTS

SELECTED POINT	REFERENCE PERIOD	PRICE BASIS	(1) WHEAT	OATS	BARLEY	CORN	PRICE BASIS	SOYBEAN MEAL	CANOLA MEAL	MILL- FEEDS	MEAT MEAL	FISH MEAL	ANIMAL FAT	March 21, 2005			
														GLUTEN MEAL	GLUTEN FEED	FEED PEAS	DEHY ALFALFA
Vancouver	March 21, 2005	FOB	127.00	N/A	132.00	145.00		286.50	181.00	98.00		875.00	520.00				335.00
BC (4) (7)	March 14, 2005		127.00	N/A	132.00	145.00		286.50	181.00	98.00		875.00	520.00				335.00
Calgary	March 21, 2005	FOB	107.00	N/A	112.00	140.00		281.00			150.00	975.00	555.00				310.00
AB (4)	March 14, 2005		107.00	N/A	112.00	141.00		284.00				975.00	555.00				310.00
Saskatoon	March 21, 2005	FOB	82.50	140.00	88.00	134.00		285.50	N/A		165.00	N/A	555.00		118.67		360.00
SK (4)	March 14, 2005		82.50	140.00	88.00	135.00		288.50	N/A		165.00	N/A	555.00		117.00		360.00
Winnipeg	March 21, 2005	FOB	127.00	140.00	109.00	123.00		264.00	N/A		290.00	982.50	515.00				340.00
MB (4) (9)	March 14, 2005		127.50	140.00	108.50	122.00		267.00	N/A		290.00	982.50	515.00				340.00
Thunder Bay	March 21, 2005	In-Store	105.00	N/A	111.65												
ON (8)	March 14, 2005		102.75	N/A	110.45												
Lake Ports	March 21, 2005	On Board				101.69											
USA (3)	March 14, 2005	Vessel				104.16											
Bay Ports	March 21, 2005	In-Store	130.00	205.00	138.00												
ON	March 14, 2005		130.00	205.00	138.00												
Chatham	March 21, 2005	Track				114.04											
ON	March 14, 2005					114.04											
Toronto	March 21, 2005	N/A					FOB										
ON (5)	March 14, 2005																
Hamilton	March 21, 2005	N/A						270.17	#N/A								
ON	March 14, 2005							276.79	#N/A								
Eastern	March 21, 2005	FOB				111.50											
ON	March 14, 2005					107.00											
London	March 21, 2005	FOB															
ON	March 14, 2005																
Port Colborne	March 21, 2005	FOB															
ON	March 14, 2005																
Cardinal	March 21, 2005	FOB															
ON	March 14, 2005																
Montreal	March 21, 2005		136.00	150.00	146.00	125.00		288.66	199.23	70.00	220.00	850.00	375.00	425.00	114.00		290.00
QC (5)	March 14, 2005		136.00	150.00	146.00	125.00	FOB	295.47	222.58	65.00	220.00	850.00	375.00	425.00	114.00		290.00
Trois-Rivières	March 21, 2005	In-Store	139.00		151.80	133.75											
QC	March 14, 2005		137.00		151.40	135.72											
St. Jean QC (2)	March 21, 2005	FOB	146.28	122.66	146.13	114.06		286.64									
St. Hyacinthe QC	March 14, 2005		145.22	123.67	143.24	117.25		294.62									
Quebec	March 21, 2005	In-Store	136.00	N/A	161.56	132.98		284.48	214.75								
QC	March 14, 2005		136.00	N/A	161.64	128.80		292.52	242.70								
Truro	March 21, 2005	Track	161.43		167.30	171.90		326.69	256.77		290.05		505.00				290.00
NS	March 14, 2005		160.33		166.15	169.87	FOB	312.52	235.93		288.55		505.00				290.00
Truro	March 21, 2005	Water	N/A	N/A	N/A	N/A											
NS	March 14, 2005	& Truck	N/A	N/A	N/A	N/A											
Halifax	March 21, 2005	In-Store	N/A	N/A	N/A	159.00		338.00		297.50		1,100.00	N/A				
NS (6)	March 14, 2005		N/A	N/A	N/A	159.00		356.15		297.50		1,100.00	N/A				

Source: Market Analysis Division, Agriculture and Agri-Food Canada; Thunder Bay prices are based on the Winnipeg Commodity Exchange (WCE) market close
Contact: Valérie Chantier A/Statistical Clerk Telephone: (204) 983-0581 Fax: (204) 983-5524 Email: chantier@agr.gc.ca

Footnotes: All prices in Canadian dollars per metric tonne based on survey respondents.

Grain grades (unless otherwise specified) are: Western or Eastern Feed Wheat, Feed Oats, No.1 Canada Western or Eastern Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn.
Soybean Meal 48 % Protein. Canola Meal based on minimum standard of 35% Protein. Fish Meal: white fish and/or herring meal. Gluten Meal 60% Protein. Gluten Feed 21% Protein.

(1) Wheat 3CWSR (2) Canadian Corn #3 or #2 (3) US Corn (4) Fish Meal from West Coast 63% Protein (5) Fish Meal 60% Protein (6) Herring Fish Meal (7) Fraser Valley (8) Wheat & Barley (Basis - Cash Price WCE) (9) Oats 3CW

A. SELLING PRICE OF BULK FEED INGREDIENTS AT SELECTED POINTS

March 7, 2005

SELECTED POINT	REFERENCE PERIOD	PRICE BASIS	(1) WHEAT	OATS	BARLEY	CORN	PRICE BASIS	SOYBEAN MEAL	CANOLA MEAL	MILL-FEEDS	MEAT MEAL	FISH MEAL	ANIMAL FAT	GLUTEN MEAL	GLUTEN FEED	FEED PEAS	DEHY ALFALFA	FEATHER MEAL
Vancouver	March 7, 2005	FOB	125.00	N/A	130.00	146.00		283.50	181.00	102.00		875.00	520.00					335.00
BC (4) (7)	February 28, 2005		125.00	N/A	130.00	150.00		293.50	187.00	100.00		875.00	500.00					335.00
Calgary	March 7, 2005	FOB	105.00	N/A	110.00	138.00		282.00			150.00	975.00	555.00					310.00
AB (4)	February 28, 2005		105.00	N/A	110.00	145.00		282.00			145.00	975.00	545.00					310.00
Saskatoon	March 7, 2005	FOB	82.50	140.00	85.00	135.00		286.50	N/A		165.00	N/A	555.00			117.00		360.00
SK (4)	February 28, 2005		77.50	145.00	85.00	135.00		286.00	N/A		160.00	N/A	545.00			115.33		360.00
Winnipeg	March 7, 2005	FOB	126.50	140.00	108.50	120.00		265.00	N/A		290.00	982.50	515.00					340.00
MB (4) (9)	February 28, 2005		125.00	140.00	107.00	120.00		264.50	N/A		290.00	982.50	515.00					340.00
Thunder Bay	March 7, 2005	In-Store	100.50	N/A	111.20													
ON (8)	February 28, 2005		100.25	N/A	107.00													
Lake Ports	March 7, 2005	On Board				102.39												
USA (3)	February 28, 2005	Vessel				109.17												
Bay Ports	March 7, 2005	In-Store	130.00	205.00	138.00													
ON	February 28, 2005		130.00	205.00	138.00													
Chatham	March 7, 2005	Track				110.28												
ON	February 28, 2005					108.16												
Toronto	March 7, 2005	N/A					FOB				223.00	N/A	420.00	425.00	114.00		272.00	290.00
ON (5)	February 28, 2005										212.00	N/A	420.00	425.00	114.00		267.00	290.00
Hamilton	March 7, 2005	N/A						272.27	#N/A									
ON	February 28, 2005							271.83	#N/A									
Eastern	March 7, 2005	FOB	126.50			110.50												
ON	February 28, 2005					111.00												
London	March 7, 2005	FOB																
ON	February 28, 2005													425.00	114.00			
Port Colborne	March 7, 2005	FOB												425.00	114.00			
ON	February 28, 2005													425.00	114.00			
Cardinal	March 7, 2005	FOB												425.00	114.00			
ON	February 28, 2005													425.00	114.00			
Montreal	March 7, 2005	FOB	136.00	150.00	149.00	124.00		283.81	205.40	62.33	210.00	850.00	375.00	425.00	114.00		270.00	290.00
QC (5)	February 28, 2005		133.00	150.00	145.00	123.00	FOB	275.84	214.10	61.67	210.00	850.00	386.00	425.00	114.00		270.00	290.00
Trois-Rivières	March 7, 2005	In-Store	129.10		152.40	134.64												
QC	February 28, 2005		136.10		150.00	134.44												
St. Jean QC (2)	March 7, 2005	FOB	142.13	124.41	144.27	116.23		277.57										
St. Hyacinthe QC	February 28, 2005		147.04	121.92	142.63	116.87		280.00										
Quebec	March 7, 2005	In-Store	134.70	N/A	164.41	127.32		280.29	237.98									
QC	February 28, 2005		131.37	N/A	159.47	133.43		271.69	238.90									
Truro	March 7, 2005	Track	159.50		162.34	167.74		318.30	213.67		273.05		505.00					290.00
NS	February 28, 2005		159.50		162.34	166.05	FOB	297.20	213.67		267.55		505.00					290.00
Truro	March 7, 2005	Water		N/A	N/A	N/A												
NS	February 28, 2005	& Truck	N/A	N/A	N/A	N/A												
Halifax	March 7, 2005	In-Store	N/A	N/A	N/A	159.00		346.00		297.50		1,100.00	N/A					
NS (6)	February 28, 2005		N/A	N/A	N/A	159.00		352.50		297.50		1,100.00	N/A					

Source: Market Analysis Division, Agriculture and Agri-Food Canada; Thunder Bay prices are based on the Winnipeg Commodity Exchange (WCE) market close US\$1.00=CAN\$1.2326, closing date March 4, 2005
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N/A = not available

Footnotes: All prices in Canadian dollars per metric tonne based on survey respondents.

Grain grades (unless otherwise specified) are: Western or Eastern Feed Wheat, Feed Oats, No. 1 Canada Western or Eastern Barley, No. 2 Canada Yellow Corn, No. 3 US Yellow Corn, Soybean Meal 48 % Protein, Canola Meal based on minimum standard of 35% Protein. Fish Meal: white fish and/or herring meal. Gluten Meal 60% Protein. Gluten Feed 21% Protein.

(1) Wheat 3CWRS (2) Canadian Corn #3 or #2 (3) US Corn (4) Fish Meal from West Coast 63% Protein (5) Fish Meal 60% Protein (6) Herring Fish Meal (7) Fraser Valley (8) Wheat & Barley (Basis - Cash Price WCE) (9) Oats 3CW

B. CASH PRICES AND REPLACEMENT VALUES

March 7, 2005

PRAIRIE GRAINS

Selected Points	Price Basis		This week 7-Mar-05	Last week 21-Feb-05	Month ago 7-Feb-05	Year ago 8-Mar-04
From: Thunder Bay(WCE) (2)	In-Store	Wheat	101.00	98.00	97.00	165.00
(CBOT)		Oat	154.20	159.50	161.75	155.25
(Lethbridge)		Barley	110.50	109.00	108.00	133.00
To: Bayport, ON (1)	In-store	Wheat	124.61	121.61	120.61	188.61
		Oat	N/A	N/A	N/A	N/A
		Barley	137.89	136.39	135.39	160.39
Montreal, QC (1)	In-store	Wheat	129.03	126.03	125.03	193.03
		Oat	N/A	N/A	N/A	N/A
		Barley	142.81	141.31	140.31	165.31
Moncton, NB	Truck via Halifax	Wheat	151.25	148.25	147.25	215.25
		Oat	N/A	N/A	N/A	N/A
		Barley	167.00	165.50	164.50	189.50
Truro, NS	Truck via Halifax	Wheat	145.22	142.22	141.22	209.22
		Oat	N/A	N/A	N/A	N/A
		Barley	164.50	163.00	162.00	187.00
Halifax, NS (1)	In-store	Wheat	136.28	133.28	132.28	200.28
		Oat	N/A	N/A	N/A	N/A
		Barley	150.80	149.30	148.30	173.30
Stephenville, NL	Track / Truck via Sydney	Wheat	199.63	196.63	195.63	263.63
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A
Melfort, SK		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Bayport, ON		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Montreal, QC		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Moncton, NB		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Truro, NS		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track / Truck via Sydney	Barley	N/A	N/A	N/A	N/A
Stephenville, NL		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A

Selected Points	Price Basis		This week 7-Mar-05	Last week 21-Feb-05	Last week 7-Feb-05	Year ago 8-Mar-04
Corn						
From: US Lake Port	On Board Vessel		102.39	102.39	95.94	157.94
To: Montreal, QC (1)	In-store		121.43	121.43	114.98	176.98
From: Chicago (IL)	Track		108.21	108.21	99.88	156.90
To: Montreal, QC	Track		137.07	137.07	128.74	185.76
From: Chatham, ON	Track		110.28	110.28	103.24	155.40
To: Montreal, QC	Track		134.15	134.15	127.11	179.27

Soymeal 48% Protein						
From: Hamilton, ON			272.27	272.27	242.29	393.60
To: Montreal, QC	Track		296.60	296.60	266.62	417.93
Moncton, NB	Track		315.35	315.35	285.37	436.68
Truro, NS	Track		318.57	318.57	288.59	439.90
Stephenville, NL	Track / Truck via Sydney		367.20	367.20	337.22	488.53

1. Prices include ONE month of storage and interest charges n/a = not available

2. Thunder Bay prices are based on the Winnipeg Commodities Exchange market close (Cash price)

Source: Market Analysis Division, Agriculture and Agri-Food Canada

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Footnotes: All prices quoted in Canadian dollars per metric tonne.

Grain grades (unless otherwise specified) are: Canada Western Feed Wheat, Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn.

Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec.

Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable



Bi-weekly Bulletin

April 1, 2005 Volume 18 Number 7

FEED GRAINS IN CANADA

Feed grain prices in Canada have decreased significantly from last year due to the record corn crop in the United States and high supplies of feed wheat and barley in western Canada. This issue of the Bi-Weekly Bulletin examines the situation and outlook for feed grain in Canada.

Feed grain for livestock in Canada consists of coarse grain (barley, corn, oats, rye, mixed grain) and feed wheat. The availability of feed quality wheat is largely dependent on weather and growing conditions. Soymeal and canola meal and feed peas are also significant components in livestock rations as a source of protein. The feed grain market is dominated by barley in western Canada and corn in eastern Canada. With the exception of drought years, western Canada generally produces a significant surplus of barley.

In western Canada, wheat and barley are the major feed grains. Wheat is produced primarily for the domestic and export food market but a significant proportion is also used for food. Although some barley is selected for the production of malt, about 85 percent of production is generally used in the feed market. In eastern Canada, corn is the dominant feed grain.

Feed grain prices in Canada have been negatively affected by several factors during 2004-05: (a) the record corn crop in the US, (b) the severe downgrading of the wheat and barley crops in western Canada and (c) the appreciation of the Canadian dollar.

Record Corn Crop in the US

In the US, corn has historically been grown specifically for livestock production, ensuring a consistent feed supply for US livestock. However, an ever increasing part of the crop is being diverted to the ethanol and fructose markets. Corn production in the US has been strongly supported by government support programs, which have caused area seeded to corn in

the US to steadily increase over time, and public and private research funding, which has caused corn yields to increase. In 2004-05, the US had a record corn crop of 11.8 billion bushels (bln bu) due to extremely good growing conditions which led to a 10 percent increase in the average US corn yield to 160 bu/ac, from 142 bu/ac in 2003-04. US exports are actually expected to decrease marginally from last year. Despite a significant increase in domestic feed use and higher food and industrial use, carry-out stocks for corn in the US are expected to more-than double from last year to about 2.1 bln bu. As a result, the average US farm price is forecast to fall to US\$2.05/bu from US\$2.42/bu for 2003-04.

Canadian Feed Supplies - Record Large in 2004-05

Supplies of feed grains increased sharply in Canada in 2004-05 due to the severe downgrading of the western wheat and barley crops. The cool growing season delayed crop development across most of the Prairies, and an early frost was received on August 20 across much of eastern Saskatchewan and western Manitoba. A frost on this date would normally have had limited impact on production or quality, since the majority of the barley and wheat crops would have been ripe. However, the delayed crop development meant that most crops were about a month behind normal, so that the impact was similar to having a frost at the end of July, which is unprecedented. With many wheat crops only in the soft dough stage at this date, the result was a significant downgrading to feed grade due to frozen green kernels and low

test weights. The impact was somewhat less dramatic for barley, due to the generally more advanced stage of development, but a less than normal proportion of the barley in the frost-affected region was suitable for malting. In other regions, the cool wet fall resulted in increased damage and downgrading due to sprouting and mildew.

In a normal year, only about 5-10% of the western wheat crop is of feed quality, equivalent to about 0.9 to 1.8 million tonnes (Mt). In 2004, 45% or more of the crop was downgraded to feed, equivalent to about 8.5 Mt. The impact on barley quality is more difficult to quantify, but the Canadian Wheat Board expects that only about 2.0 Mt will be selected for malting in 2004-05, compared to a normal 2.5 Mt. As total western barley production rose by 0.9 Mt in 2004-05, this implies additional feed barley supplies of 1.4 Mt. The total increase in feed quality wheat and barley compared to 2003-04 likely exceeds 8 Mt.

FEED GRAINS IN CANADA

Qualities desired in a feed grain:

The basic qualities desired are:
(a) energy, often expressed in kilocalories of metabolizable energy/kilogram. Energy, unlike protein content, can not be measured directly, but grains of high density (weight/volume) usually contain high energy levels. The main sources of energy are supplied in the form of carbohydrates (starch), fat, fibre and protein. Starch content is of interest to both the livestock feeder and the ethanol plant; (b) protein, more specifically amino acids, lysine,

methionine, cystine and tryptophan are of interest to feedmills but it causes problems in ethanol production. Protein, however, may make the distillers grain more marketable; (c) vitamins and minerals - phosphorus, calcium, vitamins, trace minerals and (d) fatty acids. From a cost of production perspective, high yields are also required.

Wheat

Wheat is normally used as a feed ingredient by the hog and poultry industries, which consume about 3 Mt annually. In most years, much of this is low-quality milling wheat, such as No.3 CWRS, Canada Prairie Spring Red or western red winter wheat, as supplies of feed quality wheat are insufficient to meet demand. Wheat downgraded to feed quality may often also be light weight, which is not desired by hog feeders in particular. This is therefore an additional concern in 2004-05, as much of the feed wheat is below the normal 60 pound per bushel test weight, and therefore not attractive to the hog feeder. Despite large supplies of feed wheat, these feeders may still have difficulty accessing wheat of the desired quality. Much of the lower weight wheat is expected to be consumed by the cattle industry, which will incorporate wheat into the ration if the price is attractive. However, this wheat will have to compete with increased supplies of feed barley, which is the traditional feed ingredient for the western feedlot industry. While it would be logical to expect that the surplus to domestic needs will be exported, the CWB PRO for feed wheat is even lower than the currently depressed domestic off-Board market. It is therefore anticipated that a significant proportion of the poorer quality feed wheat produced in 2004-05 will be carried into 2005-06, and continue to affect the Canadian feed industry during 2005-06.

Barley

Western Canada produces between 10-13 Mt tonnes of barley annually. In general about 15-20 percent of the barley produced is selected for malting purposes with the remainder used for feed. But today, US corn, CPS wheat and low quality CWRS wheat can compete with western barley. In addition the threat of Fusarium Head Blight has turned some Canadian

producers away from wheat and barley. This is of particular concern in eastern Manitoba, where strong feed demand from the hog industry has resulted in imports of wheat and barley from further west, and corn from the US. Most feed barley supply is based on malting barley varieties that failed to be selected for malting, rather than higher-yielding feed varieties.

For years, the standard for judging the quality of feed barley has largely been the bushel weight. Research has indicated that bushel weight is correlated to feed value, but not necessarily to feed energy. Feed barley of the same test weight can have a large variation in feed energy.

Fusarium Head Blight

The fungal strain Fusarium Graminearum produces mycotoxins such as Deoxynivalenol (DON) that can threaten the health of livestock. All non-ruminants and hogs in particular have an extremely low tolerance level to the mycotoxins. The prevalence of the disease in wheat and barley crops in Manitoba and to a lesser extent in Saskatchewan means that feed mills have had to source feed grains from regions farther away that have lower or no levels of infection. This has added to the cost of hog production over and above the cost of testing for the mycotoxins. Grain corn appears less susceptible to fusarium and therefore a much larger percent of the grain will be suitable for the feed industry.

Corn

Corn is one of the highest energy yielding cereals, largely due to its high starch content. It is mostly used as a valuable feed source for livestock, and increasingly for the production of ethanol. Cattle feeding performance on corn is about the same as on barley, so feed lot operators can easily substitute corn for use in their feed rations. Compared to barley as a feed ingredient, corn has about 8-9 percent more energy but slightly less protein.

About 65 percent of Canada's corn is grown in Ontario and 30 percent in Quebec. In western Canada, US corn imports increase when the landed price of US corn becomes competitive with domestic feed grains. Corn production in Manitoba has been increasing over the last ten years due to the introduction of new varieties that

require fewer heat units. New improved corn varieties better suited for production in western Canada, fusarium concerns with barley production and corn's relative substitutability in feed rations make it likely that corn will become an increasingly important feed source for Canada's growing hog industry.

Oats

Oats are primarily used in the food milling industry and the performance horse feed market, with the remainder used in the feed market. For horses, oat starch is more digestible than the starch in corn or barley. The main feed market for lower quality oats in Canada is cattle. The high fibre content of hulled oats decreases the nutrient value of oats which in turn can raise the costs and time required for animals to reach slaughter weight.

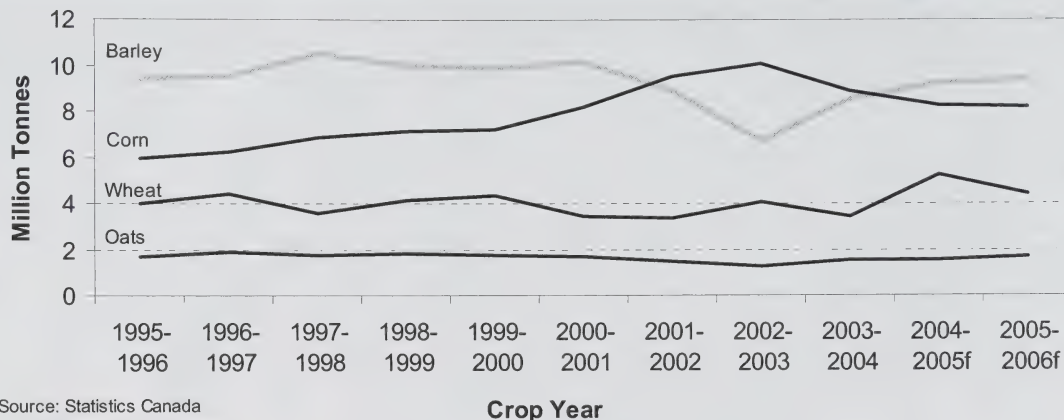
Rye

Rye has a feeding value of about 85 to 90 percent that of corn, and contains more digestible protein and total digestible nutrients than oat or barley. Rye is most satisfactorily used when mixed with other grains at a proportion less than a third, because it is not highly palatable and is sticky when chewed. Feed quality rye is normally priced at a discount to feed barley on a per tonne basis, and this discount can

Feed, Waste and Dockage as a percentage of Supplies	
2004-05	%
Corn	68
Barley	61
Oats	35
Rye	21
Wheat	16
Source: AAFC	

vary widely. Livestock and poultry feeders have been reluctant to use rye in their feed rations due to concerns over the presence of ergot alkaloids, the anti-nutritional effects of pentosans in rye and the reduced feed intake of animals consuming rye. Recent improvements in animal feed production technology, especially in the use of various enzymes to improve palatability, led to a substantial increase in the proportion of rye grain that can be included in mixed animal

CANADA: FEED, WASTE AND DOCKAGE FOR MAJOR GRAINS



feeds. Its high energy level and protein content combined with a large yield potential make fall rye a potential excellent choice as a feed crop.

DEMAND FOR FEED GRAIN

Feed demand in western Canada has been steadily increasing over the past few years. A dramatic increase in the size of the hog industry has contributed to this trend. As well, steady growth in cattle production has increased feed demand. In recent years this has been partly attributable to the closure of the US border to live cattle because of the BSE crisis. The livestock sector has benefited considerably from the abolition of the WGTA and the resulting interest in value-added activity.

Cattle

The cattle industry has grown by about 20 percent since 1995, to about 15.1 million head (Mhd) at the end of 2004. Generally, dairy and beef cattle consume about 50% of the feed grain in Canada. Cattle are ruminants, multi-stomach animals, which make use of bacteria to break down feed. For cattle, roughage can be substituted for feed grain. For health reasons some roughage is required in a cattle ration. As a result, relative prices of the various feed grains and roughage sources (various hays and straws) have a significant impact on the composition of the feed ration. Barley's high fibre content accounts for the popularity of barley in cattle

rations. Corn makes up much of the rest of the grain fed to cattle.

Hogs

Hogs are the second largest consumer of Canadian feed and feed grains, consuming 35 to 40 percent of the feed grain in Canada. Nutrition is very important to the hog industry, owing to the rapid growth and mono-gastric nature of hogs.

Corn, barley and wheat are all used for hog feed. In eastern Canada, corn is the primary feed grain. Both domestic and imported corn contribute to the eastern feed market. In western Canada, the market is slightly more complex with both imported corn and domestic wheat and barley going into the feed market.

Poultry

Poultry are another large consumer of feed. Supply management has led to a relatively stable poultry industry, growing with population over time. Chickens are the primary poultry product and consume the vast majority of feed, with turkeys consuming the bulk of the remainder.

Other

Other noteworthy consumers of feed are sheep, lambs and horses. Horses are primarily used for recreational purposes. The numbers are relatively steady, and they represent a small but premium portion of the overall feed market. Sheep and lambs are also a small portion of the feed market,

however this portion is growing. Both sheep and horses are sensitive to fusarium.

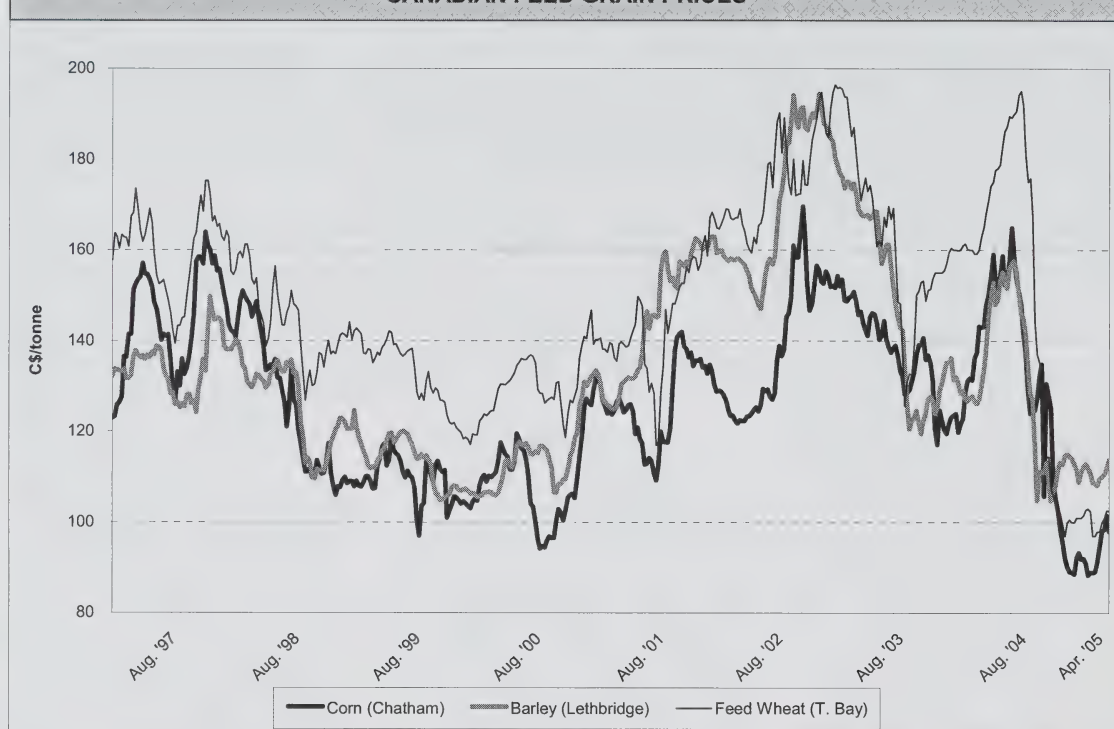
FEED GRAIN PRICES

The impact of the large feed supplies in western Canada has been a sharp decline in prices, particularly for feed wheat. Feed barley prices have remained surprisingly strong, given the large supplies, with the Winnipeg Commodity Exchange (WCE) Lethbridge cash price expected to average about \$110/t in 2004-05, about 20% lower than in 2003-04. While this is a significant decline, it is in fact better than US corn prices, which are forecast to fall by over 25% (in Canadian dollar terms). The WCE average feed wheat cash price at Thunder Bay, however, is expected to fall by almost 35%, to about \$110/t. The spread over Chicago corn is forecast to average only \$10/t, compared to the normal of about \$22/t. The average Chatham corn price is expected to decrease to \$100/t vs. \$137/t for 2003-04.

OUTLOOK 2005-06

Feed grain prices are expected to remain low. Prices will continue to be pressured by the significant increase in carry-in stocks of corn in the US. Although the USDA is currently forecasting lower corn yields for 2005-06, US corn supplies are forecast to increase slightly and will pressure US corn prices lower, unless US corn

CANADIAN FEED GRAIN PRICES



exports unexpectedly increase significantly.

In western Canada, as with feed wheat, carry-in stocks of feed barley are expected to rise sharply for 2005-06. This is attributable to high supplies in 2004-05, which exceeded domestic demand. The CWB PRO is at a discount to domestic returns, so that minimal exports are expected. These larger carry-in stocks may more than offset an expected decline in production. Therefore, supplies of feed barley may increase in 2005-06.

For 2005-06, the Canadian barley price is expected to remain near the 2004-05 level, with a lower projected US corn price offset by reduced feed supplies and strong feed demand in western Canada. Feed wheat prices will continue to be pressured for the

first part of the crop year due to large carry-in stocks, but assuming a return to normal crop quality in 2005-06, prices are expected to begin to strengthen partway through the crop year, and average about 15% higher than in 2004-05. The average Chatham corn price is expected to be the same as 2004-05 at \$100/t.

The value of the Canadian dollar is expected to be similar to 2004-05, remaining at an historically high value against the US dollar. This will continue to pressure Canadian feed grain prices relative to US corn prices.

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CANADA: PULSE AND SPECIAL CROPS SUPPLY AND DISPOSITION

March 14, 2005

Grain and Crop Year (a)	Area Seeded	Area Harvested	Yield	Production	Imports	Total	Exports	Total	Carry-out	Average
	000 ha		t/ha		(b)	Supply	(c)	Domestic Use (d)	Stocks	Price (e)
						thousand metric tonnes				\$/t
Dry Peas										
2001-2002	1,344	1,285	1.57	2,023	27	2,245	1,381	589	275	190
2002-2003	1,297	1,050	1.30	1,365	41	1,681	628	743	310	210
2003-2004	1,303	1,271	1.67	2,124	24	2,458	1,317	936	205	175
2004-2005f	1,388	1,345	2.48	3,338	20	3,563	2,000	1,063	500	115-145
2005-2006f	1,390	1,355	2.11	2,860	20	3,380	1,950	1,130	300	115-145
Lentils										
2001-2002	708	664	0.85	566	6	828	478	219	131	320
2002-2003	601	387	0.91	354	9	494	320	119	55	390
2003-2004	554	536	0.97	520	5	580	368	174	38	420
2004-2005f	778	750	1.28	961	6	1,005	570	305	130	300-330
2005-2006f	740	717	1.17	840	5	975	570	245	160	300-330
Dry Beans										
2001-2002	184	175	1.70	298	42	390	263	97	30	725
2002-2003	230	219	1.89	414	40	484	297	117	70	445
2003-2004	167	167	2.13	356	31	457	344	83	30	495
2004-2005f	163	126	1.75	220	35	285	205	70	10	650-680
2005-2006f	190	186	1.83	340	30	380	285	75	20	525-555
Chickpeas										
2001-2002	486	467	0.97	455	12	497	146	211	140	380
2002-2003	221	154	1.01	156	9	305	105	140	60	300
2003-2004	63	63	1.08	68	2	130	74	36	20	330
2004-2005f	47	39	1.31	51	5	76	35	36	5	355-385
2005-2006f	54	52	1.15	60	5	70	35	30	5	380-410
Mustard Seed										
2001-2002	166	158	0.66	105	3	213	171	n/a	33	685
2002-2003	289	255	0.60	154	9	196	114	22	60	595
2003-2004	340	328	0.69	226	2	288	121	75	92	390
2004-2005f	317	304	1.00	305	2	399	150	84	165	295-325
2005-2006f	237	230	0.80	185	2	352	160	77	115	320-350
Canary Seed										
2001-2002	170	163	0.70	114	0	184	134	20	30	660
2002-2003	287	227	0.78	176	0	206	164	22	20	575
2003-2004	251	243	0.93	226	0	246	170	n/a	67	345
2004-2005f	356	318	0.94	300	0	367	180	47	140	215-245
2005-2006f	249	242	0.95	230	0	370	185	50	135	215-245
Sunflower Seed										
2001-2002	73	67	1.55	104	29	179	92	65	22	355
2002-2003	100	95	1.65	157	21	200	105	60	35	440
2003-2004	119	115	1.30	150	16	201	96	80	25	405
2004-2005f	87	59	0.92	54	25	104	40	59	5	480-510
2005-2006f	100	95	1.47	140	15	160	80	70	10	405-435
Buckwheat										
2001-2002	16	14	1.14	16	1	17	6	8	3	325
2002-2003	12	12	1.00	12	1	16	6	7	3	340
2003-2004	9	9	1.11	10	1	14	5	7	2	355
2004-2005f	9	7	0.71	5	1	8	2	6	0	340-370
2005-2006f	9	9	1.00	9	1	10	4	6	0	340-370
Total Pulse And Special Crops (c)										
2001-2002	3,131	2,993	1.23	3,681	120	4,553	2,671	1,218	664	
2002-2003	3,025	2,399	1.16	2,788	130	3,582	1,739	1,230	613	
2003-2004	2,797	2,732	1.35	3,680	81	4,374	2,495	1,400	479	
2004-2005f	3,136	2,948	1.78	5,234	94	5,807	3,182	1,670	955	
2005-2006f	2,968	2,886	1.62	4,664	78	5,697	3,269	1,683	745	

(a) August-July crop year.

(b) Excludes products.

(c) Includes Pulse Crops (dry peas, lentils, dry beans, chick peas) and Special Crops (mustard seed, canary seed, sunflower seed, buckwheat)

(d) Includes food, feed, seed, waste and dockage.

(e) Producer price, FOB plant. Average over all types, grades and markets.

f: forecast, Agriculture and Agri-Food Canada, March 14, 2005

n/a Total domestic use is calculated residually. Based on current data on exports and carry-out stocks, it appears that Statistics Canada's production estimate may be low or carry-out stocks high resulting in a very low residual.

Source: Statistics Canada and industry consultations.



CANADA: PULSE AND SPECIAL CROPS OUTLOOK

March 14, 2005

For 2005-06, total area seeded to pulse and special crops in Canada is forecast to decrease by 6%, from 2004-05, as increases for dry beans, sunflower seed and chickpeas are more than offset by decreases for lentils, mustard seed and canary seed. Seeded areas for dry peas and buckwheat are expected to be similar to 2004-05. It is assumed that precipitation will be normal for the spring and summer. Trend yields are assumed for both western and eastern Canada, as soil moisture reserves are generally good. It has been assumed that the abandonment rate and average quality will be normal.

Total production in Canada is forecast to decrease by 11%, from 2004-05, to 4.66 million tonnes (Mt). Total supply is expected to decrease slightly to 5.7 Mt as higher carry-in stocks offset most of the decrease in production. Exports and domestic use are forecast to increase slightly due to stronger demand. Carry-out stocks are expected to decrease. Average prices, over all types, grades and markets, are forecast to increase for chickpeas and mustard seed, decrease for dry beans and sunflower seed, and be the same for dry peas, lentils, canary seed and buckwheat. However, prices are expected to be very sensitive to any production problems. The main factor to watch will be precipitation during the spring and summer in Canada. Other factors to watch are the exchange rates of the Canadian dollar against the US dollar and other currencies, ocean shipping rates and growing conditions in major producing regions, especially India, Mexico, United States, European Union, Turkey and Australia.

DRY PEAS

For 2004-05, due to higher production and supply, lower prices and stronger demand, exports are forecast to increase sharply. The average price is forecast to decrease, compared to 2003-04, as carry-out stocks increase, with a stocks-to-use ratio (s/u) of 16%.

For 2005-06, the area seeded is forecast to be similar to 2004-05. Production and supply are forecast to decrease due to lower trend yields. World supply is expected to increase marginally to 12.8 Mt because of higher carry-in stocks and higher production in the US, but this is expected to be offset by increased use. Canadian exports are expected to decrease slightly due to increased competition from the US, but domestic use is forecast to increase due to stronger demand in the feed sector. Carry-out stocks are forecast to decrease, with a s/u of 10%. The average price, over all types, grades and markets, is forecast to be the same as in 2004-05.

LENTILS

For 2004-05, due to higher production and supply, lower prices and higher demand, exports are forecast to increase sharply. The average price is forecast to decrease, as carry-out stocks increase, with a s/u of 15%.

For 2005-06, the seeded area is forecast to decrease by 5%. Production and supply are forecast to decrease due to the lower seeded area and lower trend yields. World supply is forecast to increase slightly to 4.0 Mt due to higher carry-in stocks. Canadian exports are expected to remain stable and carry-out stocks are forecast to increase, with a s/u of 20%. The average price, over all types and grades, is forecast to be the same as in 2004-05, as pressure from higher world supply is offset by higher average quality.

DRY BEANS

For 2004-05, production and supply decreased significantly in Canada and the US. Canadian exports are forecast to decrease because of lower supply, as carry-out stocks decrease to a low level.

For 2005-06, area seeded is forecast to increase by 15%. Production and supply are expected to increase, due to higher area, lower abandonment and higher trend yields. In the US, production is expected to increase by 37% to 1.065 Mt, while

supply increases by only 8% to 1.135 Mt due to lower carry-in stocks. Canadian exports are forecast to increase due to the higher supply. Carry-out stocks are expected to increase, with a s/u of 6%. The average price, over all classes and grades, is forecast to decrease due to the higher supply.

CHICKPEAS

For 2004-05, due to lower production and supply, exports are forecast to decrease. The average price is forecast to increase, as carry-out stocks decrease to a low level.

For 2005-06, the area seeded is forecast to increase by 15%. Production is expected to increase, as higher area and lower abandonment more than offsets lower trend yields. Supply is forecast to decrease, due to lower carry-in stocks. World supply is expected to decrease marginally to 8.8 Mt. Canadian exports are forecast to remain stable, while carry-out stocks remain at a low level. The average price, over all types, grades and sizes, is forecast to increase due to higher average quality.

MUSTARD SEED

For 2004-05, due to higher production and supply, lower prices and stronger demand, exports are forecast to increase. Carry-out stocks are expected to increase, with a s/u of 70%, and the average price is forecast to decrease sharply. For 2005-06, area seeded is expected to decrease by 25%. Production and supply are forecast to decrease because of lower seeded area and lower trend yields. Exports are expected to rise and carry-out stocks are forecast to decrease, with a s/u ratio of 48%. The average price, over all types and grades, is expected to increase due to the lower supply.

CANARY SEED

For 2004-05, due to higher production and supply, lower prices and higher demand, exports are forecast to increase. Carry-out stocks are expected to increase, with a s/u ratio of 62%. The average price is forecast to decrease sharply due to the higher supply.

For 2005-06, area seeded is expected to decrease by 30%. Production is forecast to decrease due to lower area, but supply is expected to increase marginally, as higher carry-in stocks more than

offset the fall in production. World supply is forecast to increase marginally to 410,000 t. Canadian exports are expected to increase, due to higher demand, and carry-out stocks are forecast to decrease slightly, with a s/u ratio of 57%. The average price is forecast to be the same as in 2004-05, in line with the relatively stable supply.

SUNFLOWER SEED

For 2004-05, due to sharply lower production and supply, exports and domestic use are expected to decrease, and carry-out stocks are forecast to decrease to a low level. The average price is forecast to increase due to the lower supply.

For 2005-06, area seeded is expected to increase by 15%. Production and supply are forecast to increase due to higher area, lower abandonment and higher trend yields. US production is expected to increase significantly. World supply is expected to increase marginally to 26.9 Mt. Canadian exports and domestic use are forecast to increase because of the higher supply. Carry-out stocks are expected to increase, with a s/u of 7%. The average price, over both types and all grades, is forecast to decrease because of the higher supply in US and Canada.

BUCKWHEAT

For 2004-05, due to lower production and supply, exports and carry-out stocks are expected to decrease. The average price is forecast to be the same as in 2003-04, as pressure from higher world supply is offset by lower Canadian supply. For 2005-06, Canadian production and supply are forecast to increase, with a stable seed area, lower abandonment and higher trend yields. Exports are forecast to increase and carry-out stocks are expected to be very low. The average price is forecast to be the same as in 2004-05, as support from lower world supply is offset by higher Canadian supply.

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CANADA: GRAINS AND OILSEEDS SUPPLY AND DISPOSITION

March 14, 2005

Grain and Crop	Area		Yield	Production	Imports	Total Supply	Exports	Food and Ind. Use (e)	Feed, & Dockage	Total Domestic Use (d)	Carry-out Stocks	Average Price (f) \$/t
(a)	Seeded	Harvested	t/ha		(b)		(c)	thousand metric tonnes				
	-----000 ha-----	-----										
Durum												
2003-2004	2,483	2,459	1.74	4,280	1	5,900	3,427	252	220	684	1,788	224.21
2004-2005f	2,230	2,141	2.32	4,962	1	6,751	3,100	255	456	951	2,700	197 *
2005-2006f	2,450	2,425	2.06	5,000	1	7,701	3,600	260	421	901	3,200	188 *
Wheat Except Durum												
2003-2004	8,179	8,009	2.41	19,272	16	23,395	12,300	2,775	3,222	6,804	4,292	206.03
2004-2005f	8,170	7,722	2.71	20,898	10	25,200	11,700	2,770	4,800	8,400	5,100	187 *
2005-2006f	8,400	8,100	2.43	19,700	10	24,810	12,700	2,800	3,990	7,610	4,500	180 *
All Wheat												
2003-2004	10,662	10,467	2.25	23,552	18	29,295	15,727	3,027	3,442	7,488	6,080	
2004-2005f	10,399	9,862	2.62	25,860	11	31,952	14,800	3,025	5,256	9,352	7,800	
2005-2006f	10,850	10,525	2.35	24,700	11	32,511	16,300	3,060	4,411	8,511	7,700	
Barley												
2003-2004	5,046	4,446	2.77	12,328	36	13,838	2,445	298	8,574	9,286	2,108	135.80
2004-2005f	4,678	4,050	3.26	13,186	50	15,344	1,850	300	9,289	9,994	3,500	100-120
2005-2006f	4,510	4,040	3.01	12,180	30	15,710	2,500	380	9,425	10,210	3,000	100-120
Corn												
2003-2004	1,265	1,226	7.82	9,587	2,107	12,804	342	2,415	8,892	11,319	1,143	137.18
2004-2005f	1,185	1,072	8.24	8,836	2,100	12,078	150	2,650	8,263	10,928	1,000	90-110
2005-2006f	1,153	1,130	7.70	8,700	2,200	11,900	150	2,700	8,235	10,950	800	90-110
Oats												
2003-2004	2,272	1,575	2.34	3,691	19	4,234	1,557	140	1,569	1,876	800	136.65
2004-2005f	1,995	1,315	2.80	3,683	20	4,504	1,500	150	1,567	1,904	1,100	120-140
2005-2006f	2,120	1,540	2.57	3,960	15	5,075	1,800	170	1,705	2,075	1,200	110-130
Rye												
2003-2004	246	147	2.22	327	0	357	171	47	70	135	50	104.44
2004-2005f	284	165	2.53	418	1	469	250	48	99	164	55	65-85
2005-2006f	230	200	2.15	430	1	486	250	48	101	166	70	65-85
Mixed Grains												
2003-2004	241	135	2.84	384	0	384	0	0	384	384	0	
2004-2005f	233	111	2.87	318	0	318	0	0	318	318	0	
2005-2006f	235	140	2.79	390	0	390	0	0	390	390	0	
Total Coarse Grains												
2003-2004	9,070	7,529	3.50	26,317	2,161	31,617	4,516	2,900	19,489	23,001	4,101	
2004-2005f	8,374	6,713	3.94	26,441	2,171	32,713	3,750	3,148	19,536	23,308	5,655	
2005-2006f	8,250	7,050	3.64	25,660	2,246	33,561	4,700	3,298	19,856	23,791	5,070	
Canola												
2003-2004	4,736	4,689	1.44	6,771	243	7,908	3,754	3,390 ¹	110	3,542	612	387.04
2004-2005f	5,319	4,938	1.57	7,728	200	8,540	3,400	3,200 ¹	420	3,665	1,475	285-325
2005-2006f	5,015	4,890	1.41	6,900	225	8,600	3,400	3,100 ¹	630	3,775	1,425	280-320
Flaxseed												
2003-2004	745	728	1.04	754	22	905	609	n/a	n/a	199	97	382.13
2004-2005f	728	528	0.98	517	30	644	450	n/a	n/a	144	50	500-600
2005-2006f	1,000	974	1.23	1,200	20	1,270	700	n/a	n/a	245	325	320-360
Soybeans												
2003-2004	1,051	1,047	2.17	2,268	587	3,000	913	1,500 ¹	319	1,947	140	395.04
2004-2005f	1,229	1,178	2.59	3,048	250	3,438	950	1,450 ¹	488	2,063	425	215-255
2005-2006f	1,215	1,199	2.50	3,000	250	3,675	900	1,750 ¹	490	2,350	425	200-240
Total Oilseeds												
2003-2004	6,531	6,464	1.52	9,794	852	11,813	5,276	n/a	n/a	5,688	849	
2004-2005f	7,277	6,643	1.70	11,293	480	12,622	4,800	n/a	n/a	5,873	1,950	
2005-2006f	7,230	7,063	1.57	11,100	495	13,545	5,000	n/a	n/a	6,370	2,175	
Total Grains And Oilseeds												
2003-2004	26,263	24,461	2.44	59,663	3,030	72,725	25,518	n/a	n/a	36,177	11,030	
2004-2005f	26,050	23,219	2.74	63,595	2,662	77,287	23,350	n/a	n/a	38,532	15,405	
2005-2006f	26,330	24,638	2.49	61,460	2,752	79,617	26,000	n/a	n/a	38,672	14,945	

(a) August - July crop year except corn and soybeans which are September - August.

(b) Excludes imports of products.

(c) Includes exports of products for wheat, oats, barley, and rye. Excludes exports of oilseed products.

(d) Total = F&I + FWD + Seed Use

(e) Industrial use excludes flaxseed due to data confidentiality.

(f) Crop year average prices: No.1 CWRS 11.5% protein and No.1 CWAD 11.5% (CWB final price I/S St. Lawrence/Vancouver), Barley (No. 1 feed, WCE, cash, I/S Lethbridge), Corn (No.2 CE, cash, I/S Chatham), Oats (US No. 2 Heavy, CBoT nearby futures); Rye (No.2 Canada, Elevator bids at select western delivery points); Canola (No. 1 Canada, WCE, cash, I/S Vancouver); Flaxseed (No. 1 CW, WCE, cash, I/S Thunder Bay); Soybeans (No. 2, I/S Chatham).

* CWB Pool Return Outlook (PRO) - March 2005

¹ Source for Food and Industrial Use is based on data from the Canadian Oilseed Processors Association.

f: forecast - Agriculture and Agri-Food Canada - March 14, 2005

Source: Statistics Canada, Cereals and Oilseeds Review Series, Cat. No. 22-007



CANADA: GRAINS AND OILSEEDS OUTLOOK

March 14, 2005

For 2005-06, total production of grains and oilseeds in Canada is forecast by Agriculture and Agri-Food Canada (AAFC) to decline by 4%, to 61.5 million tonnes (Mt), due to lower yields, but remain above the 10-year average of 59.2 Mt. In western Canada, seeded area is expected to shift out of winter wheat, barley, canola and summerfallow into spring wheat, durum wheat, oats and flaxseed. In eastern Canada, a 5% decline in winter wheat area is forecast to be offset by an increase in areas of spring wheat and dry beans. In western Canada, production is forecast to decrease to 46.5 Mt from 48.2 Mt in 2004-05. Trend yields are assumed for both western and eastern Canada, as soil moisture reserves are generally good. Normal growing conditions, abandonment rates and crop quality have been assumed.

Average world prices for wheat, coarse grains and oilseeds are forecast to decrease from 2004-05 due to rising carry-out stocks, especially in the major exporting countries. In Canada, prices for all grains and oilseeds will remain under pressure as the Canadian dollar is expected to remain relatively strong. Factors to watch are: Chinese import demand, South American growing conditions, EU grain export subsidy levels, the US winter wheat condition, ocean freight rates and the Canada/US exchange rate.

WHEAT (ex-durum)

For 2004-05, exports are forecast to decline by 5%, to 11.7 Mt, due to reduced supplies of good quality wheat. Domestic use is forecast to rise by almost 25%, due to higher feed use resulting from the low quality of the western Canadian crop. Carry-out stocks are forecast to increase by 19% to 5.1 Mt. Carry-out stocks are expected to largely be of low quality.

For 2005-06, Canadian production is forecast to decline by 6% from 2004-05, to 19.7 Mt, as yields decrease to a trend level. Domestic use is expected to fall. However, high carry-in stocks of feed wheat are expected to maintain wheat feeding at an above-average 4.0 Mt. Exports are projected to increase to 12.7 Mt, assuming that supplies of top-quality CWRS wheat increase to more normal levels. The Canadian Wheat Board (CWB) 2005-06 Pool Return Outlook (PRO) for No.1 CWRS 11.5% protein is \$180/t, in-store Vancouver/ St. Lawrence (I/S VC/SL), \$7/t below 2004-05. Assuming a normal quality crop, returns for high protein CWRS wheat are expected to decline by a greater amount, with smaller declines for medium quality wheat.

DURUM

For 2004-05, exports are forecast to fall by 10%, to 3.1 Mt, due to reduced supplies of top-quality durum and increased production in the major importing countries. Carry-out stocks are projected to rise by over 50%. For 2005-06, production is forecast to be relatively unchanged at 5.0 Mt. Total supplies are forecast to rise by 14%, to a record 7.7 Mt, however, due to higher carry-in stocks. Exports are projected to increase by 16% to 3.6 Mt, mainly due to reduced export competition from the EU. However, carry-out stocks are forecast to rise by a further 19%, to a record 3.2 Mt. Farm stocks are forecast to rise by almost 30% to a record 1.8 Mt. The CWB PRO for No.1 CWAD 11.5% protein is \$188/t, I/S VC/SL, down \$9/t from 2004-05. The premium for No.1 CWAD 11.5% over No.1 CWRS 11.5% is projected at \$8/t, vs. \$10/t in 2004-05.

BARLEY

For 2004-05, exports are forecast to decrease by 24% from 2003-04, to 1.85 Mt, due to lower selection rates for malting barley and relatively strong domestic prices. Carry-out stocks are forecast to rise to a burdensome level of 3.5 Mt.

For 2005-06, production is forecast to fall by 8% from 2004-05, to 12.2 Mt, due to lower yields and area. Supply is expected to rise slightly, however, due to higher carry-in stocks. Domestic use is forecast to rise by 2% due to increased feed demand. Exports are forecast to rise significantly, to 2.5 Mt, due to increased supplies of malting quality barley. Carry-out stocks are expected to fall to 3.0 Mt. The off-Board Lethbridge cash feed barley price is forecast at \$110/t, the same as for 2004-05. The CWB PRO, I/S VC/SL, is \$111/t for No. 1 CW feed barley pool A, \$170/t for Special Select Two Row and \$158/t for Special Select Six Row designated barley, vs. \$117/t, \$178/t and \$164/t, respectively, for 2004-05.

OATS

For 2004-05, exports are forecast to decline by 4% from 2003-04, to 1.5 Mt, as a result of decreased supplies of milling quality oats in Canada and the weakness in US import demand. Carry-out stocks are projected to increase by 38%, to 1.1 Mt.

For 2005-06, production is forecast to increase by 8%, as lower yields are more than offset by higher harvested area. Domestic use is forecast to increase to 2.1 Mt, due to higher feed and food demand. Exports are forecast to rise by 20%, due to improved crop quality, increased supplies, and stronger US demand. Carry-out stocks are expected to rise by 9%, to 1.2 Mt. The Chicago price is forecast at C\$120/t, \$10/t lower than for 2004-05.

CORN

For 2004-05, imports are forecast at 2.1 Mt, marginally lower than 2003-04. Industrial use is expected to increase significantly. For 2005-06, production is forecast to fall slightly to 8.7 Mt due to lower yields. Imports are forecast to rise by 5% to 2.2 Mt. Carry-out stocks are expected to drop by 20% to 0.8 Mt. The average Chatham price is forecast to remain unchanged at \$100/t.

CANOLA

For 2004-05, exports are forecast to drop by 9% to 3.4 Mt. Carry-out stocks are expected to rise to a burdensome 1.5 Mt. For 2005-06, production is forecast to fall by 11% to 6.9 Mt, due to lower seeded area and yields, but supply is forecast to rise due to higher carry-in stocks. Crush is forecast to fall by 3% to 3.1 Mt, due to low vegoil prices. Exports are projected to be stable at 3.4 Mt. Carry-out stocks are forecast to decline slightly. The average Vancouver cash price is expected to decline to \$300/t, due to low US soybean and soyoil prices.

FLAXSEED (excluding solin)

For 2004-05, exports are expected to decline substantially because of reduced supplies. Average prices are expected to be significantly higher than 2003-04. For 2005-06, production is forecast to more than double to 1.2 Mt, due to higher area seeded and yields. Exports are forecast to increase to a historically normal level due to strong EU demand. Carry-out stocks are expected to increase sharply to a 20-year high of 0.3 Mt. The Thunder Bay cash price is forecast to fall significantly to \$340/t, due to higher carry-out stocks.

SOYBEANS

For 2004-05, exports are expected to rise to a record 0.95 Mt, while domestic crush is stable at 1.45 Mt. For 2005-06, production is forecast to fall marginally, to 3.0 Mt, under pressure from lower yields. Supplies are projected to rise by 5% due to higher carry-in stocks. Food and industrial use is forecast to increase to 1.75 Mt. Exports are expected to decline slightly but remain near record levels. Carry-out stocks are forecast to remain historically high. The average Chatham price is forecast to decrease to \$220/t, due to lower US prices.

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CANARY SEED: SITUATION AND OUTLOOK

(with an overview of Canadian spice crops production)

Canada accounts for about 85% of world production and about 90% of world exports of canary seed. The value of Canadian canary seed exports averaged about \$100 million during the past five years. For 2005-2006, Canadian canary seed production is forecast to decrease, but supply is expected to be similar to 2004-2005. Therefore, the average price is forecast to be the same as in 2004-2005. In the longer term, Canario, which was developed in Canada, offers opportunities for food and industrial uses, and is expected to result in increased demand. This issue of the *Bi-weekly Bulletin* examines the situation and outlook for canary seed. It also includes an overview of Canadian spice crops production.

WORLD

Production and Trade

During the past 10 years, world canary seed production ranged from a low of 149,000 tonnes (t) in 2001-2002 to a high of 347,000 t in 1996-1997. Annual production was variable, but the variability was mainly in Canada.

Most of the world's canary seed production is exported. Canary seed exports have been relatively stable during the past ten years, averaging about 210,000 t per year. Although normally there is little substitution of other birdseed for canary seed, substitution occurs in years when the canary seed price is high compared to alternatives, such as millet. The substitution occurs mainly in wild bird seed mixtures. In 2003, the latest year for which statistics are available, world exports were 204,000 t and imports 221,000 t. However, about 10% of the exports were re-exported to third countries. Canada dominates world exports, accounting for about 90% of the exports in 2003, if re-exports are excluded. Argentina and Hungary are the only other significant exporters of canary seed, excluding re-exporters such as the United States (US), Belgium and Netherlands. Imports are much more widely distributed than exports, with the top five importing countries (Mexico, Brazil, Belgium, US and Spain) accounting for about 65% of imports.

CANADA

Production

Canary seed is a cool season crop which prefers long warm days and cool nights. It is well suited to the Canadian prairies and matures in approximately 100 days. Canary seed is shallow rooted and is more sensitive to heat and less drought tolerant and salt tolerant than wheat. It does best on heavy clay or clay loam, moisture retentive soils. Canary seed should be planted as early in May as possible. Late seeding can lead to delayed maturation of the straw during harvest.

Canary seed is shatter resistant, which allows it to be straight combined. If the crop is swathed, it should not be cut until it has reached full maturity and should be combined soon after swathing. Caution should be taken to keep dehulling to a minimum, since dehulled seed is classified as dockage and must be cleaned out. Canary seed with the hull intact is shiny and golden yellow. Dehulled canary seed is dark brown in colour. Canary seed can be stored for long periods of time without losing quality, provided it is put into storage in good condition. Canadian canary seed is normally

WORLD: CANARY SEED SUPPLY AND DISPOSITION

	2001- 2002	2002- 2003	2003- 2004	2004- 2005f	2005- 2006f
Harvested Area (000 ha)	197	261	290	355	280
Average Yields (t/ha)	0.76	0.81	0.91	0.96	0.96
.....thousand tonnes.....					
Canada*	114	176	226	300	230
Hungary	5	8	10	11	11
Argentina	19	17	18	17	18
Australia	6	6	6	6	6
Uruguay	3	3	3	3	3
Mexico, Turkey, Spain	2	2	2	2	2
Total Production	149	212	265	339	270
Carry-in Stocks (e)	70	30	20	67	140
Total Supply (e)	219	242	285	406	410
Total Use (e)	189	222	218	266	275
Carry-out Stocks (e)	30	20	67	140	135
Stocks-to-use ratio (%)	16	9	31	53	49

Source: FAO, except *Statistics Canada - March 2005

f: AAFC forecast, March 2005

e: AAFC estimate, March 2005

harvested in September and early October.

Canadian canary seed production during the past ten years has been variable, ranging from 114,000 t in 2001-2002 to 300,000 t in 2004-2005. Canada's share of world production increased during this period as production in Argentina and Hungary decreased. On average, Saskatchewan accounted for 90% of Canadian production, with the remainder produced in Manitoba and Alberta.

Canario

Canario is a glabrous or hairless type of canary seed developed in Canada, with first commercial production starting in 1997. Canary seed has tiny hairs at the base of the seed that break off and cause severe itching to producers, processors, and packagers. Canario eliminates that problem.

Canario also helps the industry through reduced shipping costs due to 12% greater seed packing per container and the elimination of the oiling and polishing steps in processing.

The Canadian Special Crops Association (CSCA) has obtained registration for the trademark Canario in Canada, European Union and Mexico. Registration in the US and Brazil is pending. Canario varieties must be 97% glabrous in order to bear the Canario trademark. The Canadian Grain Commission (CGC) has developed a Canario Seed Analysis Certificate to be used for shipments of canary seed which meet the Canario standard.

Uses

Canary seed has only one market at the present time, as a major component in seed mixtures for pet

and wild birds. Typically it is mixed with seeds such as millet, sunflower seed, safflower seed, niger seed, buckwheat, cereal grains, flaxseed, and canola.

Marketing

All of the canary seed produced in Canada is sold on the open market to dealers. Canary seed going to customers in Canada and the US is shipped bulk in trucks or in containers which are carried by trucks or trains. Canary seed going to northern Europe is usually shipped bulk, whereas canary seed going to customers in southern Europe and other parts of the world is usually shipped in containers. Some canary seed is grown under production contracts, which guarantee a price for part of the production, but most is sold on the spot market.

The Canadian Special Crops Association (CSCA) (www.specialcrops.mb.ca) establishes trade rules for domestic trade and serves as a forum for exporters, dealers and brokers involved in the industry of trading Canada's pulse and special crops, including canary seed. The website includes a section where buyers can submit a request for prices.

Canary seed does not fall under the Canada Grain Act and Regulations. Therefore, the CGC (www.grainscanada.gc.ca) has not established grades for the crop and canary seed producers do not qualify for compensation should companies licensed by the CGC default on their payments.

Export specifications for canary seed are usually minimum 99% pure seed, with a maximum of 4% dehulled seed.

Domestic Use

Canadian domestic use, which includes bird seed, seed and dockage, has ranged from 20,000 t to 50,000 t per year during the past ten years. Canary seed is mixed with other seed for bird seed by processors located in western and central Canada, and sold under their own brands or under customized store brands. No standards exist for mixes or packaging. A company in Saskatchewan is using organic canary seed in organic bird seed mixtures.

Canada: Canary Seed Supply and Disposition

	2001- 2002	2002- 2003	2003- 2004	2004- 2005f	2005- 2006f
Aug - July crop year					
Seeded Area (000 ha)	170	287	251	356	249
Harvested Area (000 ha)	163	227	243	318	242
Yield (t/ha)	0.70	0.78	0.93	0.94	0.95
.....thousand tonnes.....					
Carry-in stocks	70	30	20	67	140
Production	114	176	226	300	230
Total Supply	184	206	246	367	370
Exports					
Europe	49	49	51	53	54
Central America	35	38	35	39	41
South America	29	41	53	55	55
United States	15	26	20	22	24
Middle East & Africa	3	6	6	6	6
Asia & Oceania	3	4	5	5	5
Total Exports	134	164	170	180	185
Total Domestic Use	20	22	*9	47	50
Total Use	154	186	179	227	235
Carry-out Stocks	30	20	67	140	135
Stocks-to-use ratio (%)	19	11	37	62	57
Seeded Area (000 ac)	420	709	620	880	615
Yield (lbs/ac)	624	692	830	842	848
Average producer price					
\$/t	660	575	345	215-245	215-245
\$/lb	0.30	0.26	0.156	0.10-0.11	0.10-0.11

Source: Statistics Canada and AAFC

f: Agriculture and Agri-Food Canada forecast, March 2005

Note*: Domestic use is calculated residually. For 2003-04, based on export and carry-out stocks data, it appears that Statistics Canada's production estimate may be low or carry-out stocks high resulting in a very low residual.

Exports

Canadian exports of canary seed are mainly in the bulk, unprocessed form, although packaged seed mixtures are also exported. Exports have been variable, ranging from 122,000 t to 170,000 t per year, but with a slight upward trend during the past ten years. The western hemisphere and Europe are the main destinations for Canadian canary seed, although it is exported throughout the world. The main importing countries are Mexico, US, Brazil, Venezuela, Colombia, Belgium, Italy and Spain. Although Canada is the dominant exporter, it has competition from Argentina in Brazil and from Hungary in Europe.

Prices

Canadian prices are determined on an export basis because Canada exports about 85% of its canary seed production. They are, therefore, highly sensitive to the value of the Canadian dollar in foreign markets. Since there are no futures markets for canary seed, prices are negotiated between the producer, dealer and customer based on supply and demand factors. The prices negotiated could be for immediate or future delivery. The average price has been volatile, depending on supply, ranging from \$240 to \$660 per tonne (t) during the past ten years.

OUTLOOK

World: 2005-2006

Production is forecast to decrease by 20%, from 2004-2005, to 270,000 t, because of lower production in Canada. Total supply is forecast to increase marginally to 410,000 t, due to sharply higher carry-in stocks. Total use is expected to increase slightly due to higher demand and carry-out stocks are expected to decrease slightly.

Canada: 2005-2006

Area seeded is forecast to decrease by 30% from 2004-2005, due to lower potential returns compared to many alternative crops. However, the harvested area is expected to decrease by 24%, assuming a return to normal abandonment. The abandonment in 2004-2005 was higher than normal due to frost damage and a late harvest. Assuming trend yields, production is forecast to decrease by 23% to 230,000 t. Total

supply is forecast to increase marginally to 370,000 t due to higher carry-in stocks. Exports are forecast to increase slightly because of higher demand and carry-out stocks are expected to decrease slightly. The average price is forecast to be the same as in 2004-2005 because of the relatively stable supply. The main factor to watch is precipitation during the growing and harvest periods.

Canada: Longer Term

The development of Canario offers opportunities for food and industrial uses. Researchers have established that Canario groats (dehulled seed) have a protein content of about 19%, which is significantly higher than for wheat and other cereal grains and is close to pulse crops. Canario's oil content is about 9%, about four times as high as for wheat. The oil is made up of 32% oleic and 54% linoleic fatty acids, a desirable composition for human consumption. Prolamin and glutelin are the main storage proteins in canary seed, constituting 78% of total proteins. Canary seed protein is high in cystine, tryptophan and phenylalanine, but low in lysine and threonine. It would be a good supplemental protein source for dairy proteins, such as casein and whey proteins. Its starch content is similar to wheat, at about 61%. Canario has a high lipid content, which could be valuable by-product. The presence of antioxidant activity in Canario lipid could be a delaying factor in rancidity of Canario products during storage. Canario starch comprises small polygonal granules, smaller than commercially available starches. It was found to form a rigid gel which was stable under cooling and freezing conditions.

Canario could be roasted and used as a low fat substitute for sesame seed in bread and snack food. It has the potential for use as a fat substitute because the oil is high in unsaturated fat. Canario's starch properties could make it suitable for use in the cosmetics industry or as an industrial dusting starch. Canario can be separated into starch, protein, oil and fibre by wet milling. The flour can be used in baking wheat-Canario and multi-grain bread and cookies.

World: Canary Seed Exports					
Calendar Year	1999	2000	2001	2002	2003
.....thousands of tonnes.....					
Canada*	145	158	166	146	170
Argentina	21	22	22	12	9
US	20	14	8	11	8
Belgium	11	9	13	9	6
Netherlands	5	5	5	5	3
Hungary	27	5	5	8	4
Australia	2	3	1	1	0
Other	2	3	5	4	4
Total	233	219	225	196	204

Source: FAO, except *Statistics Canada
- March 2005

World: Canary Seed Imports					
Calendar Year	1999	2000	2001	2002	2003
.....thousands of tonnes.....					
Mexico	42	51	49	54	53
Brazil	39	42	38	33	33
Belgium	30	34	36	24	22
US	15	19	17	14	16
Spain	17	17	16	14	15
Italy	15	10	9	10	9
Colombia	3	4	6	5	9
Venezuela	4	4	5	6	7
UK	12	4	7	7	4
Netherlands	9	9	10	5	4
Portugal	5	5	5	5	4
Chile	4	4	4	4	4
Germany	7	5	10	3	3
France	4	5	4	3	3
Peru	1	1	1	2	3
Algeria	2	2	1	2	2
China	1	2	2	1	2
Greece	2	2	1	1	2
Japan	2	2	2	1	2
Guatemala	1	1	1	1	1
Indonesia	1	1	1	2	2
Other	22	16	16	22	21
Total	238	240	241	219	221

Source: FAO - March 2005

The difference between imports and exports is partly attributed to the timing of delivery.

US: United States

UK: United Kingdom

The use of Canario for food and industrial products is expected to encourage premium pricing for Canario compared to traditional canary seed. It would also increase demand for Canadian canary seed significantly. This in turn would result in increased economic diversification through the replacement of traditional crops and through the development of new processing opportunities for food and industrial uses.

SPICE CROPS

Saskatchewan: Caraway Seed Area, Production and Prices								
Aug - July crop year	1997-1998	1998-1999	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005f
Seeded Area (000 ha)	5.0	4.8	4.0	8.1	6.1	8.1	8.1	4.0
Harvested Area (000 ha)	4.4	3.5	4.0	7.3	4.1	6.1	6.1	4.0
Yield (t/ha)	0.59	0.60	0.85	0.75	0.32	0.39	0.52	0.63
Production (000 t)	2.6	2.1	3.4	5.5	1.3	2.4	3.2	2.5
Average Price (\$/t)	770	680	730	1,030	1,450	1,450	880	790
Canadian Exports (000t)	1.6	2.8	3.8	2.5	2.5	2.0	2.0	2.5

Saskatchewan: Coriander Seed Area, Production and Prices								
Aug - July crop year	1997-1998	1998-1999	1999-2000	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005f
Seeded Area (000 ha)	8.8	10.1	8.1	6.1	6.1	8.1	8.1	12.1
Harvested Area (000 ha)	8.5	10.1	8.1	6.1	6.1	7.3	8.1	10.1
Yield (t/ha)	0.62	0.93	0.88	0.66	0.66	0.71	0.59	0.78
Production (000 t)	5.3	9.4	7.1	4.0	4.0	5.2	4.8	7.9
Average Price (\$/t)	790	460	370	370	550	570	570	440
Canadian Exports (000t)	3.8	4.2	4.5	4.8	3.8	3.1	5.6	4.0

Source: Statistics Canada, Saskatchewan Agriculture, Food and Rural Revitalization, and AAFC
f. Agriculture and Agri-Food Canada forecast, March 2005

Canadian spice crops production is concentrated in Saskatchewan, with smaller volumes produced in Manitoba and Alberta. The main spice crops produced in Canada are caraway seed and coriander seed, but a small amounts of fenugreek seed and dill seed are also produced.

Seed from spice crops is used to add flavour to food. Caraway seed is used to flavour such foods as bread, cheese and sauerkraut. Coriander seed is used to flavour products such as curries, gin and prepared meats.

Caraway seed produced in Canada is usually from biennial varieties which require a second growing season to produce seed. Although annual varieties are available, they are lower yielding and late maturing, which increases the risk of frost damage. Coriander seed is an annual crop.

World production data for caraway seed and coriander seed is not available. Caraway seed is produced mainly in northern Europe, India, US and Canada. Coriander seed is produced mainly in countries along the Mediterranean and Black seas, Argentina, India and Canada.

Canadian production data for caraway seed and coriander seed is only available for the main producing province, Saskatchewan. Production of both crops in Saskatchewan has been variable, in line with variable seeded area, crop abandonment and yields. Spice crops are sometimes grown under production contracts. Average prices have also varied due to production variability in Canada and other producing countries and lack of world production data.

Most of Canadian caraway seed and coriander seed exports are to the US. Other significant destinations for caraway seed are Netherlands, Belgium and Germany, and for coriander seed United Kingdom, Trinidad and Tobago, Sri Lanka, Mexico, Japan and Brazil.

For more information please contact:
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B. CASH PRICES AND REPLACEMENT VALUES

February 21, 2005

PRAIRIE GRAINS

Selected Points	Price Basis		This week 21-Feb-05	Last week 7-Feb-05	Month ago 24-Jan-05	Year ago 23-Feb-04
From: Thunder Bay(WCE) (2)	In-Store	Wheat	98.00	97.00	103.00	160.00
(CBOT)		Oat	159.50	161.75	170.00	149.75
(Lethbridge)		Barley	109.00	108.00	112.00	126.00
To: Bayport, ON (1)	In-store	Wheat	121.61	120.61	126.61	183.61
		Oat	N/A	N/A	N/A	N/A
		Barley	136.39	135.39	139.39	153.39
Montreal, QC (1)	In-store	Wheat	126.03	125.03	131.03	188.03
		Oat	N/A	N/A	N/A	N/A
		Barley	141.31	140.31	144.31	158.31
Moncton, NB	Truck via Halifax	Wheat	148.25	147.25	153.25	210.25
		Oat	N/A	N/A	N/A	N/A
		Barley	165.50	164.50	168.50	182.50
Truro, NS	Truck via Halifax	Wheat	142.22	141.22	147.22	204.22
		Oat	N/A	N/A	N/A	N/A
		Barley	163.00	162.00	166.00	180.00
Halifax, NS (1)	In-store	Wheat	133.28	132.28	138.28	195.28
		Oat	N/A	N/A	N/A	N/A
		Barley	149.30	148.30	152.30	166.30
Stephenville, NL	Track / Truck via Sydney	Wheat	196.63	195.63	201.63	258.63
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A
Melfort, SK		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Bayport, ON		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Montreal, QC		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Moncton, NB		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Truro, NS		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track / Truck via Sydney	Barley	N/A	N/A	N/A	N/A
Stephenville, NL		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A
Selected Points	Price Basis		This week 21-Feb-05	Last week 7-Feb-05	Last week 24-Jan-05	Year ago 23-Feb-04
Corn						
From: US Lake Port	On Board Vessel		96.84	96.84	94.23	152.78
To: Montreal, QC (1)	In-store		115.88	115.88	113.27	171.82
From: Chicago (IL)	Track		101.20	101.20	99.04	155.95
To: Montreal, QC	Track		130.06	130.06	127.90	184.81
From: Chatham, ON	Track		105.74	105.74	102.13	153.14
To: Montreal, QC	Track		129.61	129.61	126.00	177.01

Soymeal 48% Protein

From: Hamilton, ON			263.67	263.67	243.39	375.20
To: Montreal, QC	Track		288.00	288.00	267.72	399.53
Moncton, NB	Track		306.75	306.75	286.47	418.28
Truro, NS	Track		309.97	309.97	289.69	421.50
Stephenville, NL	Track / Truck via Sydney		358.60	358.60	338.32	470.13

1. Prices include ONE month of storage and interest charges
 2. Thunder Bay prices are based on the Winnipeg Commodities Exchange market close (Cash price)

Source: Market Analysis Division, Agriculture and Agri-Food Canada

Contact: Valérie Chartier: A/Statistical Clerk (204) 983-0581 Fax: (204) 983-5524 e-mail: chartierv@agr.gc.ca

Footnotes: All prices quoted in Canadian dollars per metric tonne

Grain grades (unless otherwise specified) are: Canada Western Feed Wheat, Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn.

Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec.

Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable

A. SELLING PRICE OF BULK FEED INGREDIENTS AT SELECTED POINTS

SELECTED POINT	REFERENCE PERIOD	PRICE BASIS	(1) WHEAT	OATS	BARLEY	CORN	PRICE BASIS	SOYBEAN MEAL	CANOLA MEAL	MILL-FEEDS	MEAT MEAL	FISH MEAL	ANIMAL FAT	GLUTEN MEAL	GLUTEN FEED	FEED PEAS	DEHY ALFALFA	FEATHER MEAL
Vancouver	February 21, 2005	FOB	125.00	N/A	127.00	141.50		270.00	175.50	102.00		875.00	500.00					335.00
BC (4) (7)	February 14, 2005	FOB	125.00	N/A	127.00	142.42		265.00				875.00	500.00					335.00
Calgary	February 21, 2005	FOB	104.00	N/A	108.00	139.00		269.50	165.50	103.00								310.00
AB (4)	February 14, 2005	FOB	104.00	N/A	108.00	140.00		267.00			145.00	975.00	535.00					310.00
Saskatoon	February 21, 2005	FOB	77.50	145.00	85.50	129.00		273.50	N/A		145.00	N/A	535.00					360.00
SK (4)	February 14, 2005	FOB	81.00	141.00	89.00	134.00		266.50	N/A		160.00	N/A	535.00			116.00		360.00
Winnipeg (4) (9)	February 21, 2005	FOB	125.00	140.00	107.50	116.00		252.00	N/A		290.00	970.00	515.00			113.67		340.00
MB	February 14, 2005	In-Store	100.00	N/A	106.50	116.00		245.00	N/A		290.00	970.00	515.00					330.00
Thunder Bay	February 21, 2005		99.50	N/A	107.50													
ON (8)	February 14, 2005	On Board				97.47												
Lake Ports	February 21, 2005	Vessel				96.61												
USA (3)	February 14, 2005	In-Store	128.00	205.00	138.00													
Bay Ports	February 21, 2005		128.00	205.00	138.00													
ON	February 14, 2005	Track				105.74												
Chatham	February 21, 2005					105.22												
ON	February 14, 2005										212.00	N/A	420.00	425.00	114.00			265.00
Toronto	February 21, 2005	N/A									203.67	N/A	420.00	425.00	114.00			265.00
ON (5)	February 14, 2005	N/A																300.00
Hamilton	February 21, 2005	N/A						263.67	#N/A									
ON	February 14, 2005							250.33										
Eastern	February 21, 2005	FOB				105.50												
ON	February 14, 2005					101.85												
London	February 21, 2005	FOB																
ON	February 14, 2005																	
Port Colborne	February 21, 2005	FOB								57.00								
ON	February 14, 2005									53.00								
Cardinal	February 21, 2005	FOB																
ON	February 14, 2005																	
Montreal	February 21, 2005		132.00	150.00	143.00	125.00		268.30	200.10	59.33	200.00	850.00	397.00	425.00	114.00			270.00
QC (5)	February 14, 2005		134.00	150.00	144.00	125.00	FOB	258.63	185.50	63.33	200.00	850.00	397.00	425.00	114.00			290.00
Trois-Rivières	February 21, 2005	In-Store	132.60		137.00	127.95												270.00
QC	February 14, 2005		132.60		142.00	128.04		259.61										290.00
St. Jean QC (2)	February 21, 2005	FOB	145.61	121.93	143.00	115.60		251.57										
St. Hyacinthe QC	February 14, 2005		145.99	118.69	143.25	114.75		261.46										
Quebec	February 21, 2005	In-Store	130.87	N/A	157.97	125.00												
QC	February 14, 2005		135.87	N/A	158.34	120.08		252.31										
Truro	February 21, 2005	Track	159.50		162.34	165.22		291.05	213.67		267.50		505.00					290.00
NS	February 14, 2005		158.56		161.49	164.20	FOB	288.88	201.10		256.55		505.00					290.00
Truro	February 21, 2005	Water	N/A	N/A	N/A	N/A												
NS	February 14, 2005	& Truck	N/A	N/A	N/A	N/A												
Halifax	February 21, 2005	In-Store	N/A	N/A	N/A	160.40		328.00										
NS (6)	February 14, 2005		N/A	N/A	N/A	162.40		320.00										

Source: Market Analysis Division, Agriculture and Agri-Food Canada: Thunder Bay prices are based on the Winnipeg Commodity Exchange (WCE) market close US\$1.00=CANS\$1.2299, closing date February 18, 2005
Contact: Valerie Charrier A/Statistical Clerk Telephone: (204) 983-0581 Fax: (204) 983-5524 Email: charrier@agr.gc.ca N/A = not available

Footnotes: All prices in Canadian dollars per metric tonne based on survey respondents.

Grain grades (unless otherwise specified) are: Western or Eastern Feed Wheat, Feed Oats, No. 1 Canada Western or Eastern Barley, No. 2 Canada Yellow Corn, No. 3 US Yellow Corn, Soybean Meal 48 % Protein, Canola Meal based on minimum standard of 35% Protein, Fish Meal, white fish and/or herring meal, Gluten Meal 60% Protein, Gluten Feed 21% Protein.

(1) Wheat 3C/WMS (2) Canadian Corn #3 or #2 (3) US Corn (4) Fish Meal from West Coast 65% Protein (5) Fish Meal 60% Protein (6) Herring Fish Meal (7) Fraser Valley (8) Wheat & Barley (Basis - Cash Price WCE) (9) Oats 3C/W

B. CASH PRICES AND REPLACEMENT VALUES

March 7, 2005

PRAIRIE GRAINS

Selected Points	Price Basis		This week 7-Mar-05	Last week 21-Feb-05	Month ago 7-Feb-05	Year ago 8-Mar-04
From: Thunder Bay(WCE) (2)	In-Store	Wheat	101.00	98.00	97.00	165.00
(CBOT)		Oat	154.20	159.50	161.75	155.25
(Lethbridge)		Barley	110.50	109.00	108.00	133.00
To: Bayport, ON (1)	In-store	Wheat	124.61	121.61	120.61	188.61
		Oat	N/A	N/A	N/A	N/A
		Barley	137.89	136.39	135.39	160.39
Montreal, QC (1)	In-store	Wheat	129.03	126.03	125.03	193.03
		Oat	N/A	N/A	N/A	N/A
		Barley	142.81	141.31	140.31	165.31
Moncton, NB	Truck via Halifax	Wheat	151.25	148.25	147.25	215.25
		Oat	N/A	N/A	N/A	N/A
		Barley	167.00	165.50	164.50	189.50
Truro, NS	Truck via Halifax	Wheat	145.22	142.22	141.22	209.22
		Oat	N/A	N/A	N/A	N/A
		Barley	164.50	163.00	162.00	187.00
Halifax, NS (1)	In-store	Wheat	136.28	133.28	132.28	200.28
		Oat	N/A	N/A	N/A	N/A
		Barley	150.80	149.30	148.30	173.30
Stephenville, NL	Track / Truck via Sydney	Wheat	199.63	196.63	195.63	263.63
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A
Melfort, SK		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Bayport, ON		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Montreal, QC		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Moncton, NB		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Truro, NS		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track / Truck via Sydney	Barley	N/A	N/A	N/A	N/A
Stephenville, NL		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A

Selected Points	Price Basis		This week 7-Mar-05	Last week 21-Feb-05	Last week 7-Feb-05	Year ago 8-Mar-04
Corn						
From: US Lake Port	On Board Vessel		102.39	102.39	95.94	157.94
To: Montreal, QC (1)	In-store		121.43	121.43	114.98	176.98
From: Chicago (IL)	Track		108.21	108.21	99.88	156.90
To: Montreal, QC	Track		137.07	137.07	128.74	185.76
From: Chatham, ON	Track		110.28	110.28	103.24	155.40
To: Montreal, QC	Track		134.15	134.15	127.11	179.27

Soymeal 48% Protein						
From: Hamilton, ON			272.27	272.27	242.29	393.60
To: Montreal, QC	Track		296.60	296.60	266.62	417.93
Moncton, NB	Track		315.35	315.35	285.37	436.68
Truro, NS	Track		318.57	318.57	288.59	439.90
Stephenville, NL	Track / Truck via Sydney		367.20	367.20	337.22	488.53

1. Prices include ONE month of storage and interest charges n/a = not available
 2. Thunder Bay prices are based on the Winnipeg Commodities Exchange market close (Cash price)

Source: Market Analysis Division, Agriculture and Agri-Food Canada

Contact: Valérie Chartier: A/Statistical Clerk (204) 983-0581 Fax: (204) 983-5524 e-mail: chartierv@agr.gc.ca

Footnotes: All prices quoted in Canadian dollars per metric tonne.

Grain grades (unless otherwise specified) are: Canada Western Feed Wheat, Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn.

Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec.

Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable

A. SELLING PRICE OF BULK FEED INGREDIENTS AT SELECTED POINTS

March 7, 2005

SELECTED POINT	REFERENCE PERIOD	PRICE BASIS	(1) WHEAT	OATS	BARLEY	CORN	PRICE BASIS	SOYBEAN MEAL	CANOLA MEAL	MILL-FEEDS	MEAT MEAL	FISH MEAL	ANIMAL FAT	GLUTEN MEAL	GLUTEN FEED	FEED PEAS	DEHY ALFALFA	FEATHER MEAL
Vancouver	March 7, 2005	FOB	125.00	N/A	130.00	146.00		283.50	181.00	102.00		875.00	520.00					335.00
BC (4) (7)	February 28, 2005		125.00	N/A	130.00	150.00		293.50	187.00	100.00		875.00	500.00					335.00
Calgary	March 7, 2005	FOB	105.00	N/A	110.00	138.00		282.00			150.00	975.00	555.00					310.00
AB (4)	February 28, 2005		105.00	N/A	110.00	145.00		282.00			145.00	975.00	545.00					310.00
Saskatoon	March 7, 2005	FOB	82.50	140.00	86.00	135.00		286.50	N/A		165.00	N/A	555.00					360.00
SK (4)	February 28, 2005		77.50	145.00	85.50	135.00		286.00	N/A		160.00	N/A	545.00					360.00
Winnipeg	March 7, 2005	FOB	126.50	140.00	108.00	120.00		265.00	N/A		290.00	982.50	515.00					340.00
MB (4) (9)	February 28, 2005		126.00	140.00	107.00	120.00		264.50	N/A		290.00	982.50	515.00					340.00
Thunder Bay	March 7, 2005	In-Store	100.50	N/A	111.20													
ON (8)	February 28, 2005		100.25	N/A	107.00													
Lake Ports	March 7, 2005	On Board				102.39												
USA (3)	February 28, 2005	Vessel				109.17												
Bay Ports	March 7, 2005	In-Store	130.00	205.00	138.00													
ON	February 28, 2005		130.00	205.00	138.00													
Chatham	March 7, 2005	Track				110.28												
ON	February 28, 2005					108.16												
Toronto	March 7, 2005	N/A					FOB				223.00	N/A	420.00	425.00	114.00			272.00
ON (5)	February 28, 2005										212.00	N/A	420.00	425.00	114.00			267.00
Hamilton	March 7, 2005	N/A						272.27	#N/A									
ON	February 28, 2005							271.83	#N/A									
Eastern	March 7, 2005	FOB				110.50												
ON	February 28, 2005					111.00												
London	March 7, 2005	FOB																
ON	February 28, 2005																	
Port Colborne	March 7, 2005	FOB									65.00							
ON	February 28, 2005										63.50							
Cardinal	March 7, 2005	FOB																
ON	February 28, 2005																	
Montreal	March 7, 2005		136.00	150.00	149.00	124.00		283.81	205.40	62.33	210.00	850.00	375.00	425.00	114.00			270.00
QC (5)	February 28, 2005		133.00	150.00	145.00	123.00	FOB	275.84	214.10	61.67	210.00	850.00	366.00	425.00	114.00			290.00
Trois-Rivières	March 7, 2005	In-Store	129.10		152.40	134.64												
QC	February 28, 2005		136.10		150.00	134.44												
St. Jean QC (2)	March 7, 2005	FOB	147.13	124.41	144.27	116.23		277.57										
St. Hyacinthe QC	February 28, 2005		142.04	121.92	142.63	116.87		280.00										
Quebec	March 7, 2005	In-Store	134.70	N/A	159.47	133.43		271.69	238.90									
QC	February 28, 2005		131.37															
Turo	March 7, 2005	Track	159.50		162.34	167.74		318.30	213.67		273.05		505.00					290.00
NS	February 28, 2005		159.50		162.34	166.05	FOB	297.20	213.67		267.55		505.00					290.00
Turo	March 7, 2005	Water	N/A	N/A	N/A	N/A												
NS	February 28, 2005	& Truck	N/A	N/A	N/A	N/A												
NS	March 7, 2005	In-Store	N/A	N/A	N/A	159.00		346.00					1,100.00	N/A				
Halifax	February 28, 2005		N/A	N/A	N/A	159.00		352.50					1,100.00	N/A				
NS (6)	February 28, 2005		N/A	N/A	N/A	159.00		352.50					1,100.00	N/A				

Source: Market Analysis Division, Agriculture and Agri-Food Canada; Thunder Bay prices are based on the Winnipeg Commodity Exchange (WCE) market close U\$S1.00=CANS1.2326, closing date March 4, 2005
 Contact: Valérie Charlier A/Statistical Clerk Telephone: (204) 983-0581 Fax: (204) 983-5524 Email: charlierv@agr.gc.ca N/A = not available

Footnotes: All prices in Canadian dollars per metric tonne based on survey respondents.

Grain grades (unless otherwise specified) are: Western or Eastern Feed Wheat, Feed Oats, No. 1 Canada Western or Eastern Barley, No. 2 Canada Yellow Corn, No. 3 US Yellow Corn, Soybean Meal 48 % Protein, Canola Meal based on minimum standard of 35% Protein, Fish Meal, white fish and/or herring meal, Gluten Meal 60% Protein, Gluten Feed 21% Protein.

(1) Wheat 3CWBRS (2) Canadian Corn #3 or #2, (3) US Corn (4) Fish Meal from West Coast 63% Protein (5) Fish Meal 60% Protein (6) Herring Fish Meal (7) Fraser Valley (8) Wheat & Barley (Basis - Cash Price WCE) (9) Oats 3CW



Bi-weekly Bulletin

March 4, 2005 Volume 18 Number 5

SAUDI ARABIA

Saudi Arabia is the world's largest importer of feed barley and during crop year 2003-04 it imported 560 thousand tonnes or about 90 million dollars worth of feed barley from Canada. However, for 2004-05, Canada is not expected to export any barley to Saudi Arabia due to stronger returns in the Canadian domestic barley market than in the overseas export market. Exports of pulse and special crops have become relatively more important in 2004-05. This situation is expected to persist during 2005-06 as well. This issue of the *Bi-weekly Bulletin* examines the situation and outlook for Canadian exports of agricultural commodities to Saudi Arabia.

Saudi Arabia holds the world's largest reserves of crude oil and it has one of the world's largest reserves of natural gas. Since the 1970s, the Saudi Arabian government has used oil revenues to finance the development of its agricultural capacity, albeit at an extremely high cost due to the limited amount of land suitable for agricultural production. To increase its agricultural capacity, about 16,200 square kilometers of land has been placed under irrigation. Although less than 2% of Saudi Arabia's land mass is arable, Saudi Arabia has been able to maintain a reasonable level of self-sufficiency for commodities such as wheat and sorghum.

In addition to frequent sand and dust storms, the country faces problems of desertification, depletion of its underground water resources, and coastal pollution from oil spills. The development of extensive seawater desalination facilities has been necessary to compensate for the lack of perennial rivers or permanent bodies of fresh water.

Economy

Saudi Arabia has an oil-based economy with strong government controls over major economic activities. The petroleum sector accounts for about 75% of budget revenues, 45% of Gross Domestic Product, and 90% of export earnings. Since 1999, the Saudi Arabian government has been privatizing its electricity and communications

facilities, and encouraging private sector growth to lessen the country's dependence on oil revenues and to increase employment opportunities for its burgeoning population. Economic reforms are however tempered by deep-rooted political and social conservatism.

Size and Structure of the Agricultural Market

The total value of the agricultural sector is estimated at about US\$28 billion (bln). The sector provides employment for about 5.5% of the labor force. The business structure of farming operations in Saudi Arabia ranges from huge farming operations such as National Agricultural Development Company with 42,000 hectares, to smaller operations between 50 to 500 hectares. The major players are joint-stock agricultural development companies but there are also some large privately owned farms. A joint-stock company is owned by five or more individuals or entities, and the shareholders are liable only to the extent of the value of their holdings.

Agricultural Trade

Saudi Arabia is a net importer of grains, most of which is feed barley for its burgeoning livestock sector. The EU supplies about one-third of the grains imported by Saudi Arabia, or about half of its barley requirements. Imports of Saudi Arabian grains from the U.S. and Canada are 10% and 4%, respectively.

Most grains enter Saudi Arabia duty free, except for pulses and sorghum which are subject to a 5% tariff. Wheat importers require an import license from the Grain Silos and Flour Mills Organization, which is responsible for the Saudi Arabian government's grain policy.

Trade with Canada

Saudi Arabia is an important market for Canadian agricultural commodities. During the past decade, Canada's agricultural exports to Saudi Arabia have averaged Cdn\$76.6 million (mln) per year. In return, Canada has imported about Cdn\$1.7 mln worth of agricultural commodities from Saudi Arabia, consisting primarily of the following: fruit and nuts; preparations of grains and pasta; and beverages and vinegar.

In terms of volume, feed barley is by far the most important Canadian export to Saudi Arabia, averaging 0.3 Mt annually during the past decade. However, those exports have fluctuated considerably during this period, ranging from nil during the two years of drought in Canada, to a record 1.1 Mt in 1996-97 when Canada produced a record 15.6 Mt of barley.

Exports of pulse and special crops to Saudi Arabia have increased significantly during the past decade, averaging 7,081.2 tonnes (t) during this period, and peaking at 10,520 t in 2003-04.

In addition to direct exports, Canadian pulse and special crops are also transhipped to Saudi Arabia through neighbouring countries.

Domestic Price Supports

Self-sufficiency in agricultural production has been a goal of the Saudi Arabian government since the 1970s, and this has been achieved to some extent by heavily subsidizing wheat and barley production. As a result of the subsidies, wheat and barley production increased dramatically during the 1980s and 1990s to the point that Saudi Arabia became a net wheat exporter.

Self-sufficiency in agricultural production comes with a price for Saudi Arabia. Concerns about the depletion of limited water reserves prompted the government to begin a series of price support reductions in the early 1980's, particularly for wheat. The subsidy provided to wheat producers has been reduced from a high of US\$933.33 per metric tonne (Mt) in 1981, to US\$266.67/Mt in 2004.

As well, since 1993, the Saudi Arabian government has imposed quotas on wheat production and has targeted production to meet domestic consumption, which averages 2.0 Mt annually. The Saudi Arabian government also issued a decree in September 2003 that effectively eliminated the local barley production subsidy. At this point, price supports are now limited to wheat.

Trade Agreements

Saudi Arabia is a member of the Gulf Co-operation Council (GCC), along with Kuwait, Qatar, Bahrain, the United Arab Emirates, and Oman. Members of the GCC enjoy special trade and investment privileges, including the benefits of a customs union. Under this 2003 agreement, the six member countries charge a 5% duty on most foodstuffs imported from non-GCC suppliers. The exceptions are staple foods such as rice, fresh meat, and feed grains, which are exempt from duties.

Saudi Arabia is also a member of the Arab League (AL), which agreed in

principle to the elimination of most agricultural tariffs by the year 2007. Currently it is not clear how much progress there has been to eliminate tariffs between member countries.

In any case, the current GCC and AL agreements are not expected to have much of an effect on the grain imports by Saudi Arabia simply because member countries do not produce sufficient amounts of grain for export.

Other Trade Considerations

In August 2000, the Saudi Arabian Commerce Minister issued a directive on the import of genetically modified (GM) foodstuffs, effective February 1, 2001. The directive instructed Saudi Arabian merchants and importers to label their products in a way that they could certify them as being free of GM ingredients. Some exporters of foodstuffs to Saudi Arabia expressed concern that they have not been provided sufficient details with respect to the labeling requirements under the directive. In response, the Saudi Arabian government recently provided the Canadian government with a copy of their royal decree for GM labelling. In addition, the Saudi Arabian government hosted in February 2005 a biotech workshop to discuss mandatory GM labelling with Canada, U.S., the EU and other interested nations.

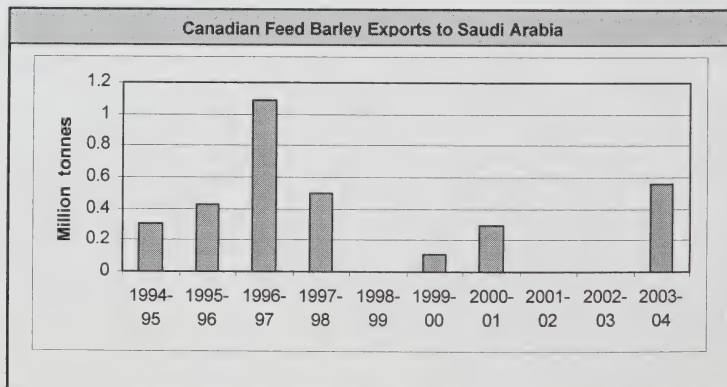
Saudi Arabia is engaged in an ongoing effort to join the World Trade Organization (WTO). Joining the WTO would increase access to world markets for Saudi Arabian oil and its petrochemical exports. In turn,

members of the WTO would enjoy increased access to this important market. Saudi Arabia is seeking to join the WTO as a developing country, but only for the agricultural sector, which generally provides a grace period of 5 to ten years to adapt trading practices to the new trade regime by reducing tariffs and domestic support.

Water Consumption

The Saudi Arabian government recognizes the importance of conserving its limited water resources. To that end, the government has introduced several measures aimed at cutting down household water consumption by up to 50%. The measures include providing conservation kits for households and reviewing price tariffs on water supplies, which are either pumped from deep underground reservoirs or processed at costly desalination plants. Under current tariffs, water is pumped into homes at the cost of about one riyal (US\$0.27) per 10 cubic meters, and the average monthly water bill for most households is less than 5 riyals. At these prices, there is little incentive for most households to cut down water use.

Household water consumption, compared to water used to irrigate farmland, is a relatively small component of total water use in Saudi Arabia. Water for irrigating farmland is drawn almost exclusively from underground reserves, and the farms consume about 20 billion cubic meters, or 90%, of the country's annual water supply. With the wasteful practice of growing crops in this manner coming



under fire, the Saudi Arabian government and the World Bank are preparing a national water plan to be completed within a year or two. The agriculture ministry is also studying water use on farms as a means of cutting down on excessive water consumption.

SITUATION 2004-05

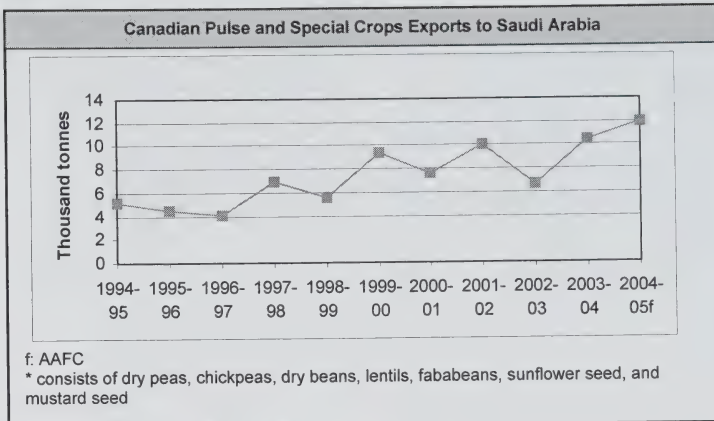
Saudi Arabia is the largest market in the Middle East, importing over US\$5 billion of food and beverages annually and offering suppliers of bulk commodities, and food processing and packaging equipment some excellent business opportunities. Saudi Arabia has long relied on imports of food products largely because irrigated lands near oases are virtually the only areas suitable for crop cultivation.

Despite the climatic disadvantages, the agricultural crop sector of Saudi Arabia has experienced steady growth since the 1970s, with much of the growth attributed to higher yields as Saudi Arabian farmers embraced new technologies and employed new and better inputs to production. In recent years, wheat for production has been on the decline, but production of other crops and livestock continues to flourish. Food processing, although still at a relatively modest level, is in an expansionary phase and is expected to increase significantly to meet growing demand for Western style food products.

Wheat

Saudi Arabia imported a record 1.3 Mt of wheat in 1979 but, since then, has systematically decreased its reliance on imported wheat by developing highly subsidized domestic supplies. In 1992, Saudi Arabia produced a record 4.1 Mt of wheat.

For 2004-05, wheat production is estimated at 1.6 Mt, down from 2.0 Mt in 2003-04. The decrease is due largely to lower domestic price supports for wheat as Saudi Arabia struggles to reduce its consumption of limited water supplies. As a result of lower domestic production and slightly higher consumption, imports are estimated at 0.4 Mt, which is the



highest level since 1982 when 0.7 Mt of wheat were imported.

The last significant wheat exports from Canada to Saudi Arabia were in 1982-83, when 26,250 tonnes were shipped. The previous export was in 1974-75, with 0.29 Mt shipped.

Barley

Barley production in Saudi Arabia has steadily decreased since peaking at 2.0 Mt in 1994-95 and is expected to be nil for 2004-05. It is the single largest barley importing country in the world. The 10-year average is 5.5 Mt and in 1986-87 it imported a record 9.0 Mt of barley.

For 2004-05, barley imports are forecast to decrease to 6.5 Mt from 5.7 Mt in 2003-04. The demand for feed barley fluctuates from year-to-year, depending on pasture conditions. The majority of the barley is fed to camels and secondarily to sheep and goats.

In recent years, Russia and the Ukraine have been the major suppliers. Australia is also a major player since it has a competitive advantage in this market due to low freight costs. The EU continues to be a major player in this market but its market share has been decreasing over time.

Canadian exports of feed barley to Saudi Arabia trended upwards during the 1990s, peaking in 1996-97, but have since decreased due largely to limited supplies of feed barley available for export. Canada's

livestock sector continues to provide higher returns to barley producers than the export market.

Livestock

Total livestock numbers in Saudi Arabia have decreased about 10% in the past five years due largely to a decrease in the number of sheep, which account for over 70% of the total Saudi Arabian livestock figure. For calendar year 2004, there were about 7.0 million (mln) sheep in Saudi Arabia, and 5.8 mln sheep are expected to be slaughtered. Of the 2.2 mln goats in Saudi Arabia, about 1.6 mln were expected to be slaughtered. Cattle are a relatively small component of the Saudi Arabian livestock sector, with only 115 thousand animals slaughtered annually.

Barley Supply and Disposition				
	- thousand tonnes -			
June/May Crop year	2002-03	2003-04	2004-05e	2005-06f
Beginning stocks	1,257	2,611	2,301	2,591
Production	100	0	0	0
Imports	7,064	5,700	6,500	6,000
Supply	8,421	8,311	8,801	8,591
Human Consumption	10	10	10	10
Feed Use	5,800	6,000	6,200	6,300
Total Use	5,810	6,010	6,210	6,310
Carry out Stocks	2,611	2,301	2,591	2,281

e: USDA – PS&D
f: AAFC

Pulse and Special Crops

Canadian exports of pulse and special crops, although relatively small, trended upward for several years during the late 1990's peaking at about 11 thousand tonnes in 2003-04.

Exports of Canadian pulse and special crops, in general, decreased in 2002-03 due to drought conditions in western Canada that affected exportable supplies.

For 2004-05, Canadian exports of pulse and special crops are forecast as follows: lentils, 5,000t; dry peas, 5,000t. Smaller volumes of chickpeas, fababeans, mustard seed and canary seed are expected to be exported to Saudi Arabia. Total exports of pulse and special crops are forecast to increase to about 12,000t mostly due to higher exports of lentils.

OUTLOOK 2005-06

Saudi Arabia's economic and political prospects are closely tied to the price of crude oil and the threat of terrorism. Those factors are expected to play an important role for Saudi Arabia. As well, the problems of increasing public debt and unemployment are expected to contribute to the country's social unrest. The end result is that Saudi Arabia's imports of agricultural and agri-food products will be affected to some extent, but there is still a need to

feed a growing population, whether that be with commodities produced domestically or those imported from countries with exportable surpluses.

More than half of the population of Saudi Arabia is under the age of 20, and the country's population is increasing at an annual rate of 3.5%. The robust population growth, coupled with insufficient arable land and limited water supplies, means that Saudi Arabia is dependent on imports of food and drink, particularly fresh and processed food products. This demand for higher value food products has given impetus to the speedy development of the Saudi Arabian food processing capacity in order to meet increasing consumer needs.

Wheat

For 2005-06, wheat production in Saudi Arabia is forecast at 1.6 Mt, unchanged from 2004-05. Imports are forecast at 0.7 Mt, and consumption is expected to increase slightly to 2.2 Mt. Ending stocks for 2005-06 are forecast at 1.2 Mt, up slightly from 2004-05 and more in line with the 10-year average.

Barley

For 2005-06, barley production in Saudi Arabia is forecast to remain nil and imports are expected to decline slightly, to 0.6 Mt, due to a larger than normal carry-in from 2004-05. Ending stocks are forecast at 2.3 Mt, down from 2.6 Mt in 2004-05, but significantly higher than the 10-year average of 1.9 Mt. Imports from Canada are expected to be minimal due to the strong domestic market for feed barley in Canada.

Pulse and Special Crops

For 2005-06, Canadian exports to Saudi Arabia are expected to increase slightly for lentils and dry peas.

Livestock

The total livestock number is expected to remain virtually unchanged at 9.9 mln for calendar year 2005. Specifically, the sheep count is expected to remain at 7.0 mln and the goat count at 2.2 mln. The total number of animals slaughtered for calendar year 2005 is forecast at 7.6 mln head, unchanged from 2004.

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Wheat Supply and Disposition

	- thousand tonnes -			
June/May Crop Year	2002- 03	2003- 04	2004- 05e	2005- 06f
Beginning stocks	1,271	1,332	1,258	1,108
Production	2,000	2,000	1,600	1,550
Imports	161	26	400	550
Supply	3,432	3,358	3,258	3,208
Human Consumption	2,050	2,050	2,100	2,100
Feed Use	50	50	50	50
Total Use	2,100	2,100	2,150	2,150
Carry out Stocks	1,332	1,258	1,108	1,058

e: USDA – PS&D

f: AAFC

B. CASH PRICES AND REPLACEMENT VALUES

February 7, 2005

PRAIRIE GRAINS

Selected Points	Price Basis		This week 7-Feb-05	Last week 24-Jan-05	Month ago 10-Jan-05	Year ago 9-Feb-04
From: Thunder Bay(WCE) (2)	In-Store	Wheat	97.00	103.00	103.00	160.00
(CBOT)		Oat	161.75	170.00	159.40	151.25
(Lethbridge)		Barley	108.00	112.00	113.00	127.00
To: Bayport, ON (1)	In-store	Wheat	120.61	126.61	126.61	183.61
		Oat	N/A	N/A	N/A	N/A
		Barley	135.39	139.39	140.39	154.39
Montreal, QC (1)	In-store	Wheat	125.03	131.03	131.03	188.03
		Oat	N/A	N/A	N/A	N/A
		Barley	140.31	144.31	145.31	159.31
Moncton, NB	Truck via Halifax	Wheat	147.25	153.25	153.25	210.25
		Oat	N/A	N/A	N/A	N/A
		Barley	164.50	168.50	169.50	183.50
Truro, NS	Truck via Halifax	Wheat	141.22	147.22	147.22	204.22
		Oat	N/A	N/A	N/A	N/A
		Barley	162.00	166.00	167.00	181.00
Halifax, NS (1)	In-store	Wheat	132.28	138.28	138.28	195.28
		Oat	N/A	N/A	N/A	N/A
		Barley	148.30	152.30	153.30	167.30
Stephenville, NL	Track / Truck via Sydney	Wheat	195.63	201.63	201.63	258.63
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A
Melfort, SK		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Bayport, ON		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Montreal, QC		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Moncton, NB		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Truro, NS		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track / Truck via Sydney	Barley	N/A	N/A	N/A	N/A
Stephenville, NL		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A

Selected Points	Price Basis		This week 7-Feb-05	Last week 24-Jan-05	Last week 10-Jan-05	Year ago 9-Feb-04
Corn						
From: US Lake Port	On Board Vessel		95.94	94.23	98.99	147.55
To: Montreal, QC (1)	In-store		114.98	113.27	118.03	166.59
From: Chicago (IL)	Track		99.88	99.04	104.82	147.55
To: Montreal, QC	Track		128.74	127.90	133.68	176.41
From: Chatham, ON	Track		103.24	102.13	105.49	153.01
To: Montreal, QC	Track		127.11	126.00	129.36	176.88

Soymeal 48% Protein

From: Hamilton, ON			242.29	243.39	251.10	351.80
To: Montreal, QC	Track		266.62	267.72	275.43	376.13
Moncton, NB	Track		285.37	286.47	294.18	394.88
Truro, NS	Track		288.59	289.69	297.40	398.10
Stephenville, NL	Track / Truck via Sydney		337.22	338.32	346.03	446.73

- Prices include ONE month of storage and interest charges n/a = not available
- Thunder Bay prices are based on the Winnipeg Commodities Exchange market close (Cash price)

Source: Market Analysis Division, Agriculture and Agri-Food Canada

Contact: Valérie Chartier: A/Statistical Clerk (204) 983-0581 Fax: (204) 983-5524 e-mail: chartierv@agr.gc.ca

Footnotes: All prices quoted in Canadian dollars per metric tonne.

Grain grades (unless otherwise specified) are: Canada Western Feed Wheat, Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn.

Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec.

Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable

February 7, 2005

A. SELLING PRICE OF BULK FEED INGREDIENTS AT SELECTED POINTS

SELECTED POINT	REFERENCE PERIOD	PRICE BASIS	(1) WHEAT	OATS	BARLEY	CORN	PRICE BASIS	SOYBEAN MEAL	CANOLA MEAL	MILK- FEEDS	MEAT MEAL	FISH MEAL	ANIMAL FAT	GLUTEN MEAL	GLUTEN FEED	FEED PEAS	DEHY ALTA/LFA	FEATHER MEAL
Vancouver	February 7, 2005	FOB	125.00	N/A	127.00	143.50		260.00	143.00	115.00		875.00	500.00					330.00
BC (4) (7)	January 31, 2005	FOB	125.00	N/A	127.00	142.50		264.50	190.50	115.00		875.00	500.00					330.00
Calgary	February 7, 2005	FOB	104.00	N/A	108.00	138.00		262.50			145.00	975.00	535.00					310.00
AB (4)	January 31, 2005	FOB	104.00	N/A	104.00	140.00		263.50	N/A		155.00	975.00	535.00					310.00
Saskatoon	February 7, 2005	FOB	83.00	141.00	93.00	130.00		250.50	N/A		160.00	N/A	535.00					360.00
SK (4)	January 31, 2005	FOB	83.50	146.00	93.00	130.00		252.00	N/A		170.00	N/A	535.00					360.00
Winnipeg	February 7, 2005	FOB	125.00	140.00	107.50	116.00		245.00	N/A		290.00	970.00	515.00					330.00
MB (4) (9)	January 31, 2005	FOB	126.00	140.00	110.00	115.00		246.50	N/A		290.00	970.00	515.00					340.00
Thunder Bay	February 7, 2005	In-Store	96.50	N/A	106.20													
ON (8)	January 31, 2005	On Board	100.50	N/A	107.45													
Lake Ports	February 7, 2005					95.94												
USA (3)	January 31, 2005	Vessel				95.23												
Bay Ports	February 7, 2005	In-Store	134.00	205.00	138.00													
ON	January 31, 2005		135.00	205.00	140.00													
Chatham	February 7, 2005	Track				103.24												
ON	January 31, 2005					102.97												
Toronto	February 7, 2005	N/A					FOB					190.00	N/A	420.00	425.00	114.00		265.00
ON (5)	January 31, 2005							242.29	#N/A			190.00	N/A	420.00	425.00	114.00		300.00
Hamilton	February 7, 2005	N/A						243.72										
ON	January 31, 2005																	
Eastern	February 7, 2005	FOB				104.50												
ON	January 31, 2005					106.50												
London	February 7, 2005	FOB																
ON	January 31, 2005																	
Port Colborne	February 7, 2005	FOB																
ON	January 31, 2005																	
Cardinal	February 7, 2005	FOB																
ON	January 31, 2005																	
Montreal	February 7, 2005		133.00	150.00	142.00	125.50		252.40	178.88	67.67	190.00	850.00	408.00	425.00	114.00		270.00	300.00
QC (5)	January 31, 2005		135.00	150.00	145.50	125.00	FOB	256.39	183.79	66.67	190.00	850.00	424.00	425.00	114.00		270.00	300.00
Trois-Rivières	February 7, 2005	In-Store	135.90		139.40	129.13												
QC	January 31, 2005		130.00		141.90	129.42												
St. Jean QC (2)	February 7, 2005	FOB	143.02	122.44	143.27	115.22		247.57										
St. Hyacinthe QC	January 31, 2005		145.57	124.48	146.10	115.75		248.62										
Quebec	February 7, 2005	In-Store	131.63	N/A	156.42	117.75		243.65										
QC	January 31, 2005		133.00	N/A	161.26	118.88		243.76										
Truro	February 7, 2005	Track	156.86		161.49	163.83		286.63	201.10				245.55					300.00
NS	January 31, 2005		157.53		161.49	163.90	FOB	289.48	201.10				245.55					300.00
Truro	February 7, 2005	Water	N/A	N/A	N/A	N/A												
NS	January 31, 2005	& Truck	N/A	N/A	N/A	N/A												
Halifax	February 7, 2005	In-Store	N/A	N/A	N/A	159.00												
NS (6)	January 31, 2005		N/A	N/A	N/A	159.00		324.25		297.50		1,100.00	N/A					

Source: Market Analysis Division, Agriculture and Agri-Food Canada; Thunder Bay prices are based on the Winnipeg Commodity Exchange (WCE) market close US\$1.00=CANS1.2498, closing date February 4, 2005
 Contact: Valerie Charrier A/Statistical Clerk Telephone: (204) 983-0581 Fax: (204) 983-5524 Email: charrier@agr.gc.ca N/A = not available

Footnotes: All prices in Canadian dollars per metric tonne based on survey respondents.

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(1) Wheat 3C WRS (2) Canadian Corn #3 or #2 (3) US Corn (4) Fish Meal from West Coast 62% Protein (5) Fish Meal 60% Protein (6) Herring Fish Meal (7) Fraser Valley (8) Wheat & Barley (Basis - Cash Price WCE) (9) Oats 3CV

B. CASH PRICES AND REPLACEMENT VALUES

February 21, 2005

PRAIRIE GRAINS

Selected Points	Price Basis		This week 21-Feb-05	Last week 7-Feb-05	Month ago 24-Jan-05	Year ago 23-Feb-04
From: Thunder Bay(WCE) (2)	In-Store	Wheat	98.00	97.00	103.00	160.00
(CBOT)		Oat	159.50	161.75	170.00	149.75
(Lethbridge)		Barley	109.00	108.00	112.00	126.00
To: Bayport, ON (1)	In-store	Wheat	121.61	120.61	126.61	183.61
		Oat	N/A	N/A	N/A	N/A
		Barley	136.39	135.39	139.39	153.39
Montreal, QC (1)	In-store	Wheat	126.03	125.03	131.03	188.03
		Oat	N/A	N/A	N/A	N/A
		Barley	141.31	140.31	144.31	158.31
Moncton, NB	Truck via Halifax	Wheat	148.25	147.25	153.25	210.25
		Oat	N/A	N/A	N/A	N/A
		Barley	165.50	164.50	168.50	182.50
Truro, NS	Truck via Halifax	Wheat	142.22	141.22	147.22	204.22
		Oat	N/A	N/A	N/A	N/A
		Barley	163.00	162.00	166.00	180.00
Halifax, NS (1)	In-store	Wheat	133.28	132.28	138.28	195.28
		Oat	N/A	N/A	N/A	N/A
		Barley	149.30	148.30	152.30	166.30
Stephenville, NL	Track / Truck via Sydney	Wheat	196.63	195.63	201.63	258.63
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A
Melfort, SK		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Bayport, ON		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Montreal, QC		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Moncton, NB		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Truro, NS		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track / Truck via Sydney	Barley	N/A	N/A	N/A	N/A
Stephenville, NL		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A

Selected Points	Price Basis		This week 21-Feb-05	Last week 7-Feb-05	Last week 24-Jan-05	Year ago 23-Feb-04
Corn						
From: US Lake Port	On Board Vessel		96.84	96.84	94.23	152.78
To: Montreal, QC (1)	In-store		115.88	115.88	113.27	171.82
From: Chicago (IL)	Track		101.20	101.20	99.04	155.95
To: Montreal, QC	Track		130.06	130.06	127.90	184.81
From: Chatham, ON	Track		105.74	105.74	102.13	153.14
To: Montreal, QC	Track		129.61	129.61	126.00	177.01

Soymeal 48% Protein						
From: Hamilton, ON			263.67	263.67	243.39	375.20
To: Montreal, QC	Track		288.00	288.00	267.72	399.53
Moncton, NB	Track		306.75	306.75	286.47	418.28
Truro, NS	Track		309.97	309.97	289.69	421.50
Stephenville, NL	Track / Truck via Sydney		358.60	358.60	338.32	470.13

- Prices include ONE month of storage and interest charges n/a = not available
- Thunder Bay prices are based on the Winnipeg Commodities Exchange market close (Cash price)

Source: Market Analysis Division, Agriculture and Agri-Food Canada

Contact: Valérie Chartier: A/Statistical Clerk (204) 983-0581 Fax: (204) 983-5524 e-mail: chartierv@agr.gc.ca

Footnotes: All prices quoted in Canadian dollars per metric tonne.

Grain grades (unless otherwise specified) are: Canada Western Feed Wheat, Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn.

Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec.

Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable

A. SELLING PRICE OF BULK FEED INGREDIENTS AT SELECTED POINTS

February 21, 2005

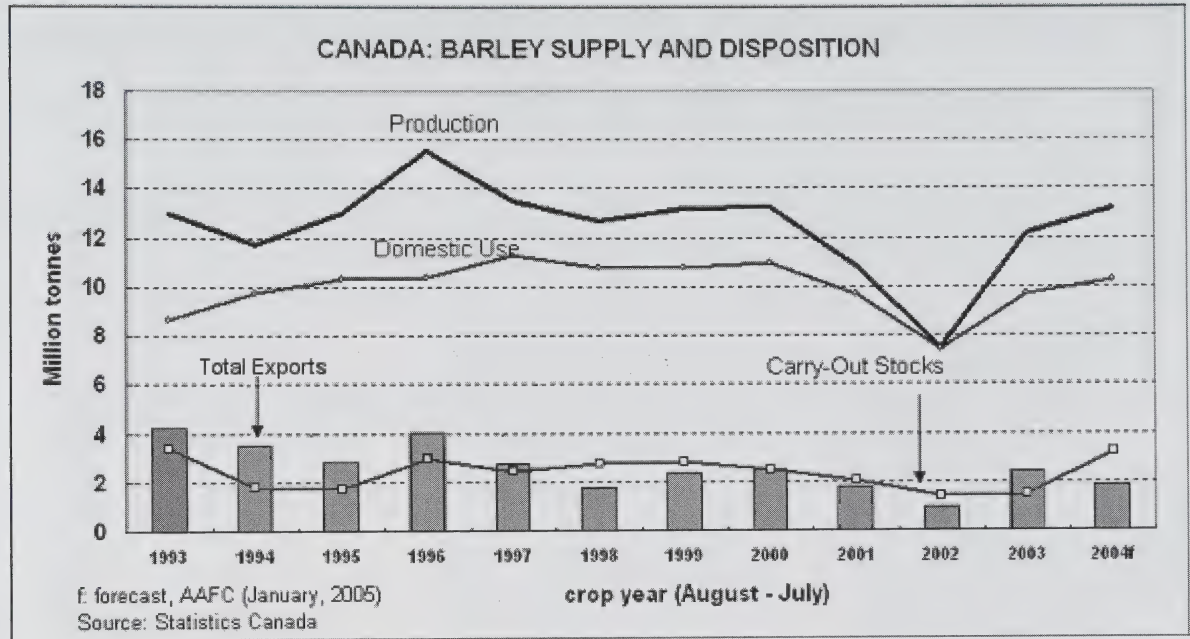
SELECTED POINT	REFERENCE PERIOD	PRICE BASIS	(1) WHEAT	OATS	BARLEY	CORN	PRICE BASIS	SOYBEAN MEAL	CANOLA MEAL	MILL-FEEDS MEAL	MEAT MEAL	FISH MEAL	ANIMAL FAT	GLUTEN MEAL	GLUTEN FEED	FEED PEAS	DEHY ALFALFA	FEATHER MEAL
Vancouver (4) (7)	February 21, 2005	FOB	125.00	N/A	127.00	141.50		270.00	175.50	102.00		875.00	500.00					335.00
BC (4) (7)	February 14, 2005	FOB	125.00	N/A	127.00	142.42		265.00	165.50	103.00		875.00	500.00					335.00
Calgary	February 21, 2005	FOB	104.00	N/A	108.00	139.00		289.50			145.00	975.00	535.00					310.00
AB (4)	February 14, 2005	FOB	104.00	N/A	108.00	140.00		267.00			145.00	975.00	535.00					310.00
Saskatoon SK (4)	February 21, 2005	FOB	77.50	145.00	85.50	129.00		273.50	N/A	160.00	145.00	N/A	535.00					360.00
Winnipeg (4) (9)	February 14, 2005	FOB	81.00	141.00	89.00	134.00		266.50	N/A	160.00	160.00	N/A	535.00					360.00
Thunder Bay (8)	February 21, 2005	FOB	125.00	140.00	107.50	116.00		252.00	N/A	290.00	290.00	970.00	515.00					340.00
Thunder Bay (8)	February 14, 2005	In-Store	100.00	N/A	106.50			245.00			290.00	970.00	515.00					330.00
Lake Ports (3)	February 21, 2005	On Board	98.50	N/A	107.50													
USA Bay Ports (3)	February 14, 2005	Vessel				97.47												
Bay Ports	February 21, 2005	In-Store	128.00	205.00	138.00	96.61												
Chatham ON	February 14, 2005	Track	128.00	205.00	138.00													
Toronto ON (5)	February 21, 2005	N/A				105.74												
Hamilton ON	February 14, 2005	N/A				105.22												
Eastern ON	February 21, 2005	N/A																
London ON	February 14, 2005	FOB				105.50												
Port Colborne ON	February 21, 2005	FOB				101.85												
Cardinal ON	February 14, 2005	FOB																
Montreal QC (5)	February 21, 2005		132.00	150.00	143.00	125.00		268.30	200.10	59.33	200.00	850.00	397.00					290.00
Trois-Rivières QC	February 14, 2005		134.00	150.00	144.00	125.00		258.63	185.50	63.33	200.00	850.00	397.00					290.00
Quebec QC	February 21, 2005	In-Store	132.60		137.00	127.95												
St. Jean QC (2)	February 14, 2005	FOB	145.61	121.93	143.00	115.60		259.61										
St. Hyacinthe QC	February 21, 2005	In-Store	145.99	118.69	143.25	114.75		251.57										
Quebec QC	February 14, 2005	In-Store	130.87	N/A	157.97	125.00		261.46										
Trois-Rivières QC	February 21, 2005	Track	135.87	N/A	158.34	120.08		252.31										
Trois-Rivières QC	February 14, 2005	Track	159.50		162.34	165.22		291.05	213.67									290.00
Trois-Rivières QC	February 21, 2005	Water	158.56		161.49	165.20		288.88	201.10									290.00
Trois-Rivières QC	February 14, 2005	Water	N/A	N/A	N/A	N/A												
Trois-Rivières QC	February 21, 2005	& Truck	N/A	N/A	N/A	N/A												
Trois-Rivières QC	February 14, 2005	In-Store	N/A	N/A	N/A	160.40		328.00										
Trois-Rivières QC	February 21, 2005	In-Store	N/A	N/A	N/A	162.40		320.00										
Trois-Rivières QC	February 14, 2005	In-Store	N/A	N/A	N/A	162.40		320.00										

Source: Market Analysis Division, Agriculture and Agri-Food Canada. Thunder Bay prices are based on the Winnipeg Commodity Exchange (WCE) market close
 Contact: Valerie Charrier A/Statistical Clerk Telephone: (204) 983-0581 Fax: (204) 983-5524 Email: charrier@agr.gc.ca
 US\$1.00=CANS1.2299, closing date February 18, 2005

Footnotes: All prices in Canadian dollars per metric tonne based on survey respondents.

Grain grades (unless otherwise specified) are: Western or Eastern Feed Wheat, Feed Oats, No.1 Canada Western or Eastern Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn, Soybean Meal 48 % Protein, Canola Meal based on minimum standard of 35% Protein, Fish Meal: white fish and/or herring meal, Gluten Meal 60% Protein, Gluten Feed 21% Protein.

(1) Wheat 3CVR5 (2) Canadian Corn #3 or #2 (3) US Corn (4) Fish Meal from West Coast 65% Protein (5) Fish Meal 60% Protein (6) Herring Fish Meal (7) Fraser Valley (8) Wheat & Barley (Basis - Cash Price WCE) (9) Oats 3CW



CANADA: BARLEY SUPPLY AND DISPOSITION

Crop Year	Production						Supply	Domestic Consumption			Exports				Carry-out stocks
	Area	Yield	Feed	Malting	Total	Selection		FWD	Malting	Other	Feed	Malting	Malt	total	
(Aug.-Jul.)	000 ha	t/ha	'000 t								'000 t				
						%									
2000-01	4,468	2.96	11,051	2,178	13,229	16	16,106	10,179	350	429	820	1,123	700	2,643	2,516
2001-02	4,150	2.61	8,912	1,934	10,846	18	13,473	9,052	287	466	135	957	678	1,770	1,898
2002-03	3,348	2.24	6,384	1,105	7,489	15	9,796	6,463	312	452	10	304	632	946	1,475
2003-04	4,446	2.77	10,347	1,981	12,328	15	13,838	8,574	289	423	900	874	671	2,445	2,108
2004-05f	4,050	3.26	11,561	1,625	13,186	12	15,344	9,089	275	450	375	825	650	1,850	3,700

- Notes:**
- 1) Exports of malt are in grain equivalent.
 - 2) Feed production = total production minus malting barley selection; including seed, waste & dockage.
 - 3) Production of malting barley equals malting barley exports plus malting exports plus food & industrial use.
 - 4) Other domestic consumption = human food use + seed use + loss in handling
- FWD = Feed, Waste and Dockage

Source: Statistics Canada and AAFC

f: AAFC February 2005 forecast

WORLD: MALTING BARLEY TRADE
2004-05

	EU	Canada	Australia	Other 1/	Total
	..... thousand tonnes				
China	400	500	1,100	0	2,000
Other 2/	350	0	50	850	1,250
Latin America 3/	300	0	100	250	650
Asia 4/	250	0	200	100	550
US	100	200	50	0	350
Europe 5/	300	0	0	0	300
Total	1,700	700	1,500	1,200	5,100

1/ includes Argentina, the US, and Eastern European countries.

2/ includes Middle East, South Africa and Oceania

3/ Central America, the Caribbean, and South America.

4/ All of Asia, except China.

5/ All of Europe, except the EU.

Source: USDA, International Grains Council, Statistics Canada, AAFC



Bi-weekly Bulletin

February 18, 2005 Volume 18 Number 4

MALTING BARLEY: SITUATION AND OUTLOOK

Lower supplies of malting barley in Australia and Canada are expected to continue to provide strong support for malting barley export prices in 2004-05. However, this has been partly offset by downward price pressure from increased malting barley supplies in the EU, the strength of the Canadian dollar and high ocean freight rates. The low quality of the 2005-06 barley crops in Canada is expected to reduce Canadian exports of malting barley. This issue of the Bi-weekly Bulletin examines the situation and outlook for malting barley.

WORLD BARLEY MARKET

Barley accounts for 15% of world coarse grains use, second only to corn (68%). The barley share, however, is trending down. The increasing share for corn is due mainly to higher productivity gains, stronger demand from the growing poultry and hog industries and growth in industrial use.

The barley market consists of two major segments: the feed barley market and the malting barley market. In order to be selected for malting barley, the barley must meet certain quality standards, the most important of which are the protein content, extraction rates, plumpness and germination. If it is not selected for malting, the barley is used for livestock feed. In Canada, generally all barley is either the two-row or six-row variety but there are feed vs. malting varieties. About 70% of world barley is used for animal feed, 20% for malting, and 5% for direct food use. Trade in barley grain averaged 16 Mt over the past ten years, of which about 30% was malting barley.

For 2004-05, world barley production is forecast by the USDA to increase to 153 Mt, compared to 142 Mt for 2003-04 and the five-year average of 135 Mt. With the exception of Australia, production is expected to increase in all major exporting countries, especially in the EU-25 and Ukraine. Supplies are expected to increase by 3% from 2003-04, to 174 Mt, as increased production is only partially offset by lower carry-in stocks. World demand for barley, however, is forecast to decrease by 1% from 2003-04 to 145 Mt, but remain significantly higher than the five year average of 137 Mt. The major factor driving down world barley demand

is the reduction of feed barley consumption in the EU and Russia from last year's high to a more normal level. With production exceeding consumption by 7 Mt, world carry-out stocks are expected to recover to 29 Mt.

World barley trade is forecast by the USDA to increase from 15.1 Mt to 15.3 Mt. While exports from the EU and Ukraine are expected to increase significantly, exports from Australia and Canada are forecast to decline sharply. Imports by Saudi Arabia and China are forecast to increase.

WORLD MALTING BARLEY MARKET

The availability of malting barley depends on conditions in the general barley market. In general, high production of "barley" will imply high production of malting barley. However, crop conditions and the marketing system/infrastructure also play critical roles.

For 2004-05, world malting barley supplies are forecast by industrial sources to increase as higher production in the EU more than offsets lower production in Canada and Australia. World trade in malting barley is forecast to increase by 4% from 2003-04 to 5.1 Mt. Exports are expected to increase for the EU-25 and the US but the low quality of the barley crop in both Canada and Australia will reduce their exportable supplies.

MAJOR EXPORTERS

Lower Exports from Australia on a Smaller and Lower Quality Crop

Australia is the world's leading exporter of malting barley, accounting for about one-third of world trade over the last five

years, at an average of 1.7 Mt. The selection rate for malting barley in Australia averaged 36% of the crop and ranged between 30% and 49% over the last five years, the highest among major exporters

As the major competitor for Canada, Australia plays a dominant role in China, Japan, South Korea and other Asian markets. Australian barley is generally of lower protein content than Canadian barley, and enjoys low transportation costs, both inland and overseas. As a result it is generally very competitive in terms of price and quality. Canada and Australia also compete in the South African market.

For 2004-05, barley production in Australia is forecast by the Australian Bureau of Agricultural and Resource Economics (ABARE) at 6.2 Mt, 28% below last year's record crop and 4% lower than the 5-year average, due to a 6% decrease in area seeded and lower yields. Low subsoil moisture levels and below average rainfalls in September and October have reduced yields from the exceptional 2003-04 season. Production in South Australia, Western Australia, and Victoria, the top three producing states, is estimated to have dropped by more than 30%. Severe frost, unusual warmer temperature, and rain at harvest have adversely affected crop quality and the potential selection rate for malting barley.

As a result, malting barley supplies for the 2004-05 marketing year (Nov-Oct) are forecast by ABARE to decrease by 24% from 2003-04 to 2.20 Mt of which 0.17 Mt is expected to be absorbed by the domestic market, 0.56 Mt to be

exported as barley malt and about 1.50 Mt to be exported as malting barley. This represents a 30% decrease in Australia's malting barley exports from the record of 2.1 Mt in 2003-04 and an 8% drop from the five year average of 1.59 Mt.

Higher EU Production and Exports

The EU is the second largest exporter of malting barley and the world's largest exporter of barley malt. France is the leading EU exporter of malting barley, followed by Denmark and the new members, the Czech Republic and Hungary. The EU also enjoys the most diversified markets among the major exporters. China, Russia, Brazil, Colombia and Peru are among its major markets.

EU malting barley is dominated by two-row spring varieties. However, some two-row and six-row winter barley is grown in northwest Europe. The EU also has a relatively low select rate, of malting barley from the whole barley crop, at 20-25%. Although higher than the average of 16% for Canada, this is much lower than in Australia. The EU is also different from the other major exporters in that more of its malting barley production, 60-65%, is processed domestically, rather than exported unprocessed as grain, while that ratio is only 45% for Canada and one third for Australia.

For 2004-05, barley production in the EU-25 is estimated by the USDA to reach a five-year high of 61.8 Mt, 13% higher than last year and 8% larger than the average of last 5 years. A milder winter and adequate soil moisture boosted yields significantly in France, Germany, Spain and other member states, despite a slight decrease in area harvested. Meanwhile, with the substitution of feed wheat and corn for barley, domestic feed use is forecast to return to a more normal level of 38.0 Mt from last year's 41.0 Mt, although domestic food and industrial use remains unchanged at 15.9 Mt. EU barley exports are forecast to partially recover from last year's 1.0 Mt to 3.3 Mt, but are still short of the historical average of about 6.6 Mt. As a result, EU carry-out stocks are projected to recover robustly, from 4.0 Mt in 2003-04 to 8.9 Mt, compared to the historical average of 9.6 Mt.

Larger surplus supplies of malting barley in the EU, less competition from both Australia and Canada, and stronger import demand are expected to raise EU malting barley exports in 2004-05. Malting barley exports for the EU are forecast to increase from 1.1 Mt in 2003-04 to 1.3 Mt in 2004-05.

Lower exports from Canada

In Canada, about 75/25 per cent of the area seeded to barley is of malting/feed varieties. Newly released malting varieties tend to narrow the gap in yields between the two barley classes. Canada has the lowest selection rate of malting barley at about 16 per cent of the total barley crop, making Canada a consistent supplier of top quality malting barley in the world. The remainder is used for animal feed by the growing livestock industry in western Canada.

Canada and France are the major exporters with significant supplies of both two-row and six-row malting barley. With the development of new two-row varieties and to adapt to the growing demand for two-row barley overseas, the area seeded to two-row varieties in Canada has kept increasing, at the expense of six-row. In the last decade, the market share for two-row varieties has increased from less than 50% to more than 70%. Currently, two-row barley is produced mainly in Alberta and western Saskatchewan and six-row varieties are concentrated in Manitoba and eastern Saskatchewan.

In 2003-04, Canada produced 12.3 Mt of barley. Of the total supplies of 13.8 Mt, about 8.6 Mt, or 60%, were used for domestic feed and 0.9 Mt were exported as feed barley. For the 1.8 Mt selected as malting barley, at a rate of 15%, 1.6 Mt were exported, consisting of 0.9 Mt of malting barley and 0.7 Mt of barley malt (in grain equivalent). The major markets for Canadian malting barley were China and the US, with small volumes to South Africa and South America.

For 2004-05, barley production increased by 7% from 2003-04 to 13.2 Mt, as higher yields more than offset lower seeded area. The total supply of barley increased by 11 percent as a result of higher carry-in stocks. However, unfavourable weather conditions significantly reduced crop quality and the supply of malting barley. Low temperatures delayed planting and impeded the development of the barley crop. This was coupled with early frost which resulted in immature seeds, frost damage, and shrunk/broken kernels. Finally, rain at harvest caused severe fusarium and sprout damage in some areas, making it very hard to meet malting barley standards.

As a result, Canada's malting barley supply is forecast to decrease to 1.7 Mt, consisting of 1.5 Mt of two-row and 0.2 Mt of six-row. About 0.8 Mt is available for export as malting barley destined mainly for China and the US. Of the 0.9 Mt

processed domestically, 30% is expected to be consumed by the Canadian beer industry and 70% exported as barley malt.

Argentina: a Regional Player

Argentina has recently become a significant exporter of malting barley and barley malt, mainly to Brazil and other countries in South America. Barley production in Argentina is estimated at 0.7 Mt for 2004-05, more than three times the output in the 1980's. Exports are forecast to remain at 0.15 Mt for malting barley and 0.3 Mt for barley malt. The vast majority of Argentina's exports, both malting barley and barley malt, are expected to continue to go to Brazil, with the remainder to Chile and Uruguay.

MAJOR IMPORTERS

Higher Chinese Imports

China started importing malting barley in 1980 and has been the world's largest malting barley importer for more than a decade. In 2003, China replaced the US as the world's largest beer producer. The beer industry in China is growing very rapidly and currently requires about 3 Mt of malting barley a year - 1 Mt of which are domestically produced and 2 Mt are imported. China has been the leading market for both Australia and France and the largest market, second to the US, for Canada.

In 2003-04, malting barley imports into China decreased from 1.9 Mt in 2002-03 to 1.4 Mt, due to larger domestic supplies and higher carry-in stocks. Although the official estimate of China's barley production, at 2.7 Mt, is significantly lower than the historical trend and USDA's estimate of 3.4 Mt, domestic supplies of malting barley were estimated at 1.3 - 1.4 Mt, significantly higher than the historical average of 1.0 Mt. In addition, the outbreak of SARS in the spring 2003 reduced China's beer consumption, leaving higher stocks, mainly imported malting barley, carried over to 2003-04.

For 2004-05, barley production in China is officially estimated to have increased to 3.7 Mt, due mainly to higher area seeded to barley. However, domestic supplies of malting barley are expected to be well below 1 Mt. Drought conditions during vegetation and rain at harvest affected protein content and screenings in northeastern China and the lower Yangtze River valley, leaving northwestern China the only major producing region with a normal selection rate. As a result, prices for domestic

barley have increased from US\$170/t last year to a historical high of US\$210/t.

Based on an average malt usage of 10 Kg/hl, China's total demand for malting barley is forecast at 3.3 Mt in 2004-05, suggesting an import demand of 2.75 Mt. However, as seen in the past, malt usage in China is very price-sensitive and imports are forecast to increase to only 2.0 Mt.

Lower US Imports on Larger Domestic Supply

The US is the second largest beer producer in the world. However, US government support programs have reduced area seeded in traditional malting barley areas. As barley demand for food and processing remained stable at nearly 4.0 Mt, malting barley imports have increased to about 0.5 Mt, while exports declined to 0.2 Mt.

Although the US malting barley market is still dominated by six-row varieties, two-row varieties have gained popularity in recent years. In North Dakota, the leading state in US malting barley production, farmers favour six-row varieties due to the relatively humid growing conditions in the Red River Valley. However, malting barley production and processing capacity have increased in Montana and Idaho where drier growing conditions allow a higher production of two-row varieties and the selection rates are much higher than in North Dakota. Currently, two-row varieties account for 20% of US barley area, while six-row varieties account for 80%.

US malting barley imports have trended lower in the past decade, from an annual average of 0.7 Mt to less than 0.5 Mt, while imports of barley malt, mainly from Canada, increased sharply. However, the US has been the leading market for Canadian malting barley and is expected to continue to be one of the major markets for Canada. For 2004-05, US imports are expected to continue the downward trend, decreasing from about 0.5 Mt in 2003-04 to 0.45 Mt, due to higher US carry-in stocks, large domestic production with good quality, and concerns over exportable supplies from Canada.

Russia has Great Potential

Russia has been the world's second most rapidly expanding beer market after China in recent years and the market is expected to continue to grow, albeit at a rate lower than the current annual average of 20%. The rising consumption is attributed to increased consumer incomes and

changes in government taxation favouring beer over vodka.

Russia requires about 1.2 Mt of malting barley annually. About one third of the requirements are sourced from domestic production. Russia's imports consist of an average of 0.17 Mt of malting barley and 0.73 Mt of barley malt (in grain equivalent). In addition to the growth in beer consumption, the building-up of new domestic malting capacity will boost Russia's malting barley imports significantly, substituting for malt imports.

The EU has been the predominant supplier of both malting barley and malt for Russia. This situation is expected to continue, although the balance is projected to shift rapidly from barley malt to malting barley. However, developments in the Russian market are expected to become more relevant to all market players, including Canada.

PRICES

World Prices

World malting barley prices are heavily dependent on several factors: (a) the quantity and quality of the barley crop available for selection in the major exporting countries, which, in turn, is closely related to weather conditions; (b) world feed barley prices which are affected by US corn prices and barley supplies in the Black Sea region and the EU; (c) policies in the major exporting and importing countries, such as export subsidies in the EU; and (d) demand from the major importers.

For 2004-05, decreased exportable supplies and lower crop quality in Australia and Canada are providing strong support to world malting barley prices. Strong import demand, particularly from China, will also support world prices. However, the strength in malting barley prices is expected to be partially offset by larger supplies from the EU. The weakness in the world coarse grain market is also expected to pressure malting barley prices.

Record US corn production and larger exportable supplies of feed barley from Ukraine and the EU lead to the weakness in world coarse grain prices, although world demand remains strong. World feed barley prices are expected to be further depressed by EU export subsidies. While suspended in 2003-04, EU export refunds for barley were re-introduced in October 2004. For the crop-year to date, the EU has applied subsidies on 0.86 Mt of barley at an equivalent of US\$23.61/t.

As a result, world feed barley prices for 2004-05 are forecast to decrease by 15%, or about US\$20/t, from 2003-04 to US\$110/t at PNW. For malting barley, world prices in US dollar are expected to average US\$150/t at PNW, US\$155/t in Adelaide, Australia, and US\$160/t at Rouen, France

Canadian Returns/Prices

Malting barley prices for Canadian farmers are expected to be pressured further by the strength in the Canadian dollar and higher ocean freight rates.

The Strength in Canadian dollar

The exchange rate for the Canadian dollar is expected to average Cdn\$1.23 per US\$ for 2004-05 versus Cdn\$1.34 and Cdn\$1.50 per US\$ in 2003-04 and 2002-03, respectively. The stronger Canadian dollar alone would cause malting barley prices, in Canadian dollar, to drop by 8% from 2003-04.

A strong Canadian dollar has implications for prices/returns, not only in Canada, but for Canada's competitiveness in the world market. However, the impact is mitigated by the fact that major competitors' currencies also appreciated against the US dollar. For 2003-04, the Euro and Australian dollar strengthened by 2% and 9%, respectively, against the Canadian dollar, meaning that changes in these exchange rates put Canada in a better position to compete. However, the situation has changed for 2004-05 as the Canadian dollar has gained 2% and 4% against the Euro and the Australian dollar, respectively, making Canada less competitive.

Higher Ocean Freight Rates

For 2004-05, freight rates are expected to average US\$40/t from the PNW to China vs. US\$29/t in 2003-04 and US\$27/t in 2002-03. Given the strong demand for and the inelastic supply of dry bulk ocean freight services, freight rates are widely expected by the industry to remain high for at least a few years. Higher freight rates have the effect of depressing export prices and raising import prices, with some of the extra cost ultimately born by Canadian farmers.

However, major competitors have been affected similarly, if not more. Freight rates for 2004-05 from Australia to China are expected to average US\$30/t vs. US\$27/t in 2003-04 and US\$18/t in 2002-03. Therefore, as in the case of exchange rates, high ocean freight rates have a large impact on Canada's export

returns/prices, but a less significant impact on Canada's competitive position in the world malting barley market.

The 2004-05 CWB Return Outlook (PRO) in January 2005, in-store Vancouver/St. Lawrence is \$178/t for Special Select Two-row and \$162/t for Special Select Six-row designated barley. The PROs are about \$20/t lower than 2003-04 PROs this time last year and, if realized, represent one of the lowest total payments to producers in the last few years.

OUTLOOK FOR 2005-06

For 2005-06, world barley production is expected to decrease by about five percent to 145 Mt, as lower production in Europe and North America more than offset higher production in Australia. Crop quality in Canada and Australia is expected to return to more normal levels, raising world malting barley supplies. Import demand is expected to remain strong for China, Russia, Latin America and the US. US corn prices are expected to increase slightly due to lower production. A stronger world feed barley market is expected to support world malting barley prices. However, the Canadian dollar is expected to continue to be strong which could partially offset the gains in higher commodity prices

LONGER TERM OUTLOOK

For the period of 1996-97 to 2002-03, world consumption of feed barley trended down, from more than 100 Mt to 92 Mt and world trade fluctuated between 9.8 and 13.8 Mt. For the same period, world trade in feed barley increased from 3.8 to 5.0 Mt. Trade in barley malt increased from 4.6 Mt to 5.7 Mt.

For the 2003-04 to 2008-09 period, malting barley trade is forecast by IGC to increase by 1.2 Mt to 6.2 Mt, while world trade of feed barley is expected to increase by only 0.8 Mt to 13.4 Mt and world trade of barley malt to stagnate at 5.5 Mt.

The proportion of feed barley trade is, therefore, expected to decline from about 60% in the early 1990's to 50% by 2008-09. The malting barley and barley malt sector is forecast to gradually expand due to rising beer production in several countries. Within the malting sector, the grain component of trade is set to gain ground on malt, as malting capacity expands for key importers.

The beer industries in the developed economies are generally in the mature stage. Per capita beer consumption has either declined or stagnated in the last

decade, due to increasing awareness of the health risks associated with heavy alcohol use, changes in consumer preference (the rising popularity of red wine and some soft drinks), increased competition from other beverages (flavoured alcoholic drinks), and more restrictive government regulation and taxation

Declining beer consumption in North America, Western Europe, Australia and Japan, combined with the substitution of rice for barley and the popularity of low-malt beer have constrained the growth in demand for malting barley. However, beer consumption has been increasing in developing countries in Asia and Latin America and in eastern Europe and the CIS, as a result of fast economic development and higher income. Included in the countries with the greatest growth potential are China, Russia, Brazil, Mexico, Argentina, Thailand and Vietnam. These regions are expected to drive up world demand for malting barley in the decades to come.

Chinese Demand

Higher income, urbanization, and a larger proportion of young people are expected to continue to drive up China's beer consumption and, thus, malting barley demand in the decades to come. However, new initiatives in China's barley sector could have significant long-term implications for the world malting barley market and Canada's export potential to China.

In reaction to years of high prices and supply fluctuation in the world malting barley market, China's Ministry of Agriculture has drafted a five year plan to boost China's domestic malting barley production and partially substitute for imports, by identifying and tackling issues in China's domestic malting barley supply chain. If implemented successfully, malting barley imports into China could be reduced significantly and world prices could be pressured downward over the medium-to-long term.

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B. CASH PRICES AND REPLACEMENT VALUES

January 24, 2005

PRAIRIE GRAINS

Selected Points	Price Basis		This week 24-Jan-05	Last week 10-Jan-05	Month ago 29-Dec-04	Year ago 26-Jan-04
From: Thunder Bay(WCE) (2)	In-Store	Wheat	103.00	103.00	101.00	160.00
(CBOT)		Oat	170.00	159.40	156.40	158.25
(Lethbridge)		Barley	112.00	113.00	112.00	126.00
To: Bayport, ON (1)	In-store	Wheat	126.61	126.61	124.61	183.61
		Oat	N/A	N/A	N/A	N/A
		Barley	139.39	140.39	139.39	153.39
Montreal, QC (1)	In-store	Wheat	131.03	131.03	129.03	188.03
		Oat	N/A	N/A	N/A	N/A
		Barley	144.31	145.31	144.31	158.31
Moncton, NB	Truck via Halifax	Wheat	153.25	153.25	151.25	210.25
		Oat	N/A	N/A	N/A	N/A
		Barley	168.50	169.50	168.50	182.50
Truro, NS	Truck via Halifax	Wheat	147.22	147.22	145.22	204.22
		Oat	N/A	N/A	N/A	N/A
		Barley	166.00	167.00	166.00	180.00
Halifax, NS (1)	In-store	Wheat	138.28	138.28	136.28	195.28
		Oat	N/A	N/A	N/A	N/A
		Barley	152.30	153.30	152.30	166.30
Stephenville, NL	Track / Truck via Sydney	Wheat	201.63	201.63	199.63	258.63
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A
Melfort, SK		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Bayport, ON		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Montreal, QC		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Moncton, NB		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Truro, NS		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track / Truck via Sydney	Barley	N/A	N/A	N/A	N/A
Stephenville, NL		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A

Selected Points	Price Basis		This week 24-Jan-05	Last week 10-Jan-05	Month ago 29-Dec-04	Year ago 26-Jan-04
Corn						
From: US Lake Port	On Board Vessel		94.23	98.99	105.31	144.09
To: Montreal, QC (1)	In-store		113.27	118.03	124.35	163.13
From: Chicago (IL)	Track		99.04	104.82	104.82	143.06
To: Montreal, QC	Track		127.90	133.68	133.63	171.92
From: Chatham, ON	Track		102.13	105.49	106.74	152.39
To: Montreal, QC	Track		126.00	129.36	130.61	176.26

Soymeal 48% Protein

From: Hamilton, ON			243.39	251.10	251.10	358.30
To: Montreal, QC	Track		267.72	275.43	275.43	382.63
Moncton, NB	Track		286.47	294.18	294.18	401.38
Truro, NS	Track		289.69	297.40	297.40	404.60
Stephenville, NL	Track / Truck via Sydney		338.32	346.03	346.03	453.23

- Prices include ONE month of storage and interest charges n/a = not available
- Thunder Bay prices are based on the Winnipeg Commodities Exchange market close (Cash price)

Source: Market Analysis Division, Agriculture and Agri-Food Canada

Contact: Valérie Chartier: A/Statistical Clerk (204) 983-0581 Fax: (204) 983-5524 e-mail: chartierv@agr.gc.ca

Footnotes: All prices quoted in Canadian dollars per metric tonne.

Grain grades (unless otherwise specified) are: Canada Western Feed Wheat, Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn.

Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec.

Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable

A. SELLING PRICE OF BULK FEED INGREDIENTS AT SELECTED POINTS

January 24, 2005

SELECTED POINT	REFERENCE PERIOD	PRICE BASIS	(1) WHEAT	OATS	BARLEY	CORN	PRICE BASIS	SOYBEAN MEAL	CANOLA MEAL	MILL FEEDS MEAL	MEAT MEAL	FISH MEAL	ANIMAL FAT	GLUTEN MEAL	GLUTEN FEED	PEAS	DEHY ALFALFA	FEATHER MEAL
Vancouver BC	January 24, 2005	FOB	122.00	N/A	125.00	142.00		264.00	151.00	115.00	850.00	850.00	500.00					335.00
(4) (7)	January 17, 2005	FOB	122.00	N/A	125.00	142.00		262.00	151.00	117.00		850.00	500.00					325.00
Calgary AB	January 24, 2005	FOB	104.00	N/A	112.00	140.00		266.50			165.00	975.00	535.00					310.00
(4)	January 17, 2005	FOB	104.00	N/A	112.00	140.00		266.50			165.00	975.00	535.00					300.00
Saskatoon SK	January 24, 2005	FOB	85.00	134.50	92.00	138.00		264.00	N/A	180.00	180.00	N/A	535.00				118.33	360.00
(4)	January 17, 2005	FOB	83.50	131.00	93.00	133.00		269.00	N/A	180.00	180.00	N/A	535.00				117.00	350.00
Winnipeg MB	January 24, 2005	FOB	129.00	140.00	111.00	115.00		242.00	N/A	290.00	1007.50	515.00						340.00
(4) (9)	January 17, 2005	FOB	126.50	140.00	110.00	116.00		248.50	N/A	290.00	1012.50	515.00						350.00
Thunder Bay ON	January 24, 2005	In-Store	103.00	N/A	107.85													
(8)	January 17, 2005	On Board	103.00	N/A	108.80													
Lake Ports USA	January 24, 2005	Vessel				94.23												
(3)	January 17, 2005	Vessel				93.34												
Bay Ports ON	January 24, 2005	In-Store	135.00	205.00	140.00													
(3)	January 17, 2005	In-Store	134.00	205.00	150.00													
Chatham ON	January 24, 2005	Track				102.13												
ON	January 17, 2005	N/A				102.21												
Toronto ON	January 24, 2005	N/A					FOB				179.00	N/A	420.00	425.00	114.00		285.00	305.00
(5)	January 17, 2005	N/A									168.00	N/A	440.00	425.00	114.00		265.00	300.00
Hamilton ON	January 24, 2005	N/A						243.39	#N/A									
ON	January 17, 2005							237.88										
Eastern ON	January 24, 2005	FOB				101.75												
ON	January 17, 2005	FOB																
London ON	January 24, 2005	FOB				107.50												
ON	January 17, 2005	FOB																
Port Colborne ON	January 24, 2005	FOB																
ON	January 17, 2005	FOB																
Cardinal ON	January 24, 2005	FOB																
ON	January 17, 2005	FOB																
Montreal QC	January 24, 2005		133.00	150.00	144.00	124.00		255.68	172.73	69.00	179.00	850.00	424.00	425.00	114.00		270.00	310.00
(5)	January 17, 2005		133.00	150.00	146.00	124.00	FOB	252.53	172.33	74.00	168.00	850.00	424.00	425.00	114.00		270.00	310.00
Trois-Rivières QC	January 24, 2005	In-Store	134.10		142.70	129.91												
QC	January 17, 2005		134.10		144.60	130.01												
St. Jean QC (2)	January 24, 2005	FOB	145.22	124.48	145.70	115.75		242.10										
St. Hyacinthe QC	January 17, 2005	FOB	143.97	123.20	145.23	116.78		247.83										
Quebec QC	January 24, 2005	In-Store	131.70	N/A	160.81	118.31		248.03										
QC	January 17, 2005		131.03	N/A	161.90	118.35		248.71										
Turro NS	January 24, 2005	Track	157.86		161.49	164.03		283.48	201.10	229.05			505.00					310.00
NS	January 17, 2005		155.86		166.48	165.48	FOB	283.93	203.63	223.55			505.00					310.00
Turro NS	January 24, 2005	Water	N/A	N/A	N/A	N/A												
NS	January 17, 2005	& Truck	N/A	N/A	N/A	N/A												
Halifax NS	January 24, 2005	In-Store	N/A	N/A	N/A	161.05		315.00		297.50			1,100.00	N/A				
(6)	January 17, 2005		N/A	N/A	N/A	#N/A		307.50		297.50			1,100.00	N/A				

Source: Market Analysis Division, Agriculture and Agri-Food Canada; Thunder Bay prices are based on the Winnipeg Commodity Exchange (WCE) market close
 Contact: Valérie Charrier A/Statistical Clerk Telephone: (204) 983-0581 Fax: (204) 983-5524 Email: charrier@agr.gc.ca
 N/A = not available

Footnotes: All prices in Canadian dollars per metric tonne based on survey respondents.

Grain grades (unless otherwise specified) are: Western or Eastern Feed Wheat, Feed Oats, No.1 Canada Western or Eastern Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn, Soybean Meal 48 % Protein, Canola Meal based on minimum standard of 35% Protein, Fish Meal: white fish and/or herring meal, Gluten Meal 60% Protein, Gluten Feed 21% Protein.

(1) Wheat 3CWRS (2) Canadian Corn #3 or #2 (3) US Corn (4) Fish Meal from West Coast 63% Protein (5) Fish Meal 60% Protein (6) Herring Fish Meal (7) Fraser Valley (8) Wheat & Barley (Basis - Cash Price WCE) (9) Oats 3CW

US\$1.00=CAN\$1.2212, closing date January 21, 2005

B. CASH PRICES AND REPLACEMENT VALUES

February 7, 2005

PRAIRIE GRAINS

Selected Points	Price Basis		This week 7-Feb-05	Last week 24-Jan-05	Month ago 10-Jan-05	Year ago 9-Feb-04
From: Thunder Bay(WCE) (2)	In-Store	Wheat	97.00	103.00	103.00	160.00
(CBOT)		Oat	161.75	170.00	159.40	151.25
(Lethbridge)		Barley	108.00	112.00	113.00	127.00
To: Bayport, ON (1)	In-store	Wheat	120.61	126.61	126.61	183.61
		Oat	N/A	N/A	N/A	N/A
		Barley	135.39	139.39	140.39	154.39
Montreal, QC (1)	In-store	Wheat	125.03	131.03	131.03	188.03
		Oat	N/A	N/A	N/A	N/A
		Barley	140.31	144.31	145.31	159.31
Moncton, NB	Truck via Halifax	Wheat	147.25	153.25	153.25	210.25
		Oat	N/A	N/A	N/A	N/A
		Barley	164.50	168.50	169.50	183.50
Truro, NS	Truck via Halifax	Wheat	141.22	147.22	147.22	204.22
		Oat	N/A	N/A	N/A	N/A
		Barley	162.00	166.00	167.00	181.00
Halifax, NS (1)	In-store	Wheat	132.28	138.28	138.28	195.28
		Oat	N/A	N/A	N/A	N/A
		Barley	148.30	152.30	153.30	167.30
Stephenville, NL	Track / Truck via Sydney	Wheat	195.63	201.63	201.63	258.63
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A
Melfort, SK		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Bayport, ON		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Montreal, QC		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Moncton, NB		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Truro, NS		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track / Truck via Sydney	Barley	N/A	N/A	N/A	N/A
Stephenville, NL		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A

Selected Points	Price Basis		This week 7-Feb-05	Last week 24-Jan-05	Last week 10-Jan-05	Year ago 9-Feb-04
Corn						
From: US Lake Port	On Board Vessel		95.94	94.23	98.99	147.55
To: Montreal, QC (1)	In-store		114.98	113.27	118.03	166.59
From: Chicago (IL)	Track		99.88	99.04	104.82	147.55
To: Montreal, QC	Track		128.74	127.90	133.68	176.41
From: Chatham, ON	Track		103.24	102.13	105.49	153.01
To: Montreal, QC	Track		127.11	126.00	129.36	176.88

Soymeal 48% Protein						
From: Hamilton, ON			242.29	243.39	251.10	351.80
To: Montreal, QC	Track		266.62	267.72	275.43	376.13
Moncton, NB	Track		285.37	286.47	294.18	394.88
Truro, NS	Track		288.59	289.69	297.40	398.10
Stephenville, NL	Track / Truck via Sydney		337.22	338.32	346.03	446.73

1. Prices include ONE month of storage and interest charges n/a = not available
 2. Thunder Bay prices are based on the Winnipeg Commodities Exchange market close (Cash price)

Source: Market Analysis Division, Agriculture and Agri-Food Canada
 Contact: Valérie Chartier: A/Statistical Clerk (204) 983-0581 Fax: (204) 983-5524 e-mail: chartierv@agr.gc.ca

Footnotes: All prices quoted in Canadian dollars per metric tonne.
 Grain grades (unless otherwise specified) are: Canada Western Feed Wheat, Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn.
 Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec.
 Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable

A. SELLING PRICE OF BULK FEED INGREDIENTS AT SELECTED POINTS

February 7, 2005

SELECTED POINT	REFERENCE PERIOD	PRICE BASIS	(1) WHEAT	OATS	BARLEY	CORN	PRICE BASIS	SOYBEAN MEAL	CANOLA MEAL	MILL FEEDS	MEAT MEAL	FISH MEAL	ANIMAL FAT	GLUTEN MEAL	GLUTEN FEED	FEED PEAS	DEHY ALFALFA	FEATHER MEAL
Vancouver	February 7, 2005	FOB	125.00	N/A	127.00	143.50		260.00	143.00	115.00		875.00	500.00					330.00
BC	(4) (7) January 31, 2005	FOB	125.00	N/A	127.00	142.50		264.50	190.50	115.00		875.00	500.00					330.00
Calgary	February 7, 2005	FOB	104.00	N/A	108.00	138.00		262.50			145.00	975.00	535.00					310.00
AB	(4) January 31, 2005	FOB	104.00	N/A	108.00	140.00		263.50			155.00	975.00	535.00					310.00
Saskatoon	February 7, 2005	FOB	83.00	141.00	93.00	130.00		250.50	N/A	160.00	170.00	N/A	535.00			113.67		360.00
SK	(4) January 31, 2005	FOB	83.50	146.00	93.00	130.00		252.00	N/A	170.00	290.00	970.00	515.00			115.33		360.00
Winnipeg	February 7, 2005	FOB	125.00	140.00	107.50	116.00		245.00	N/A		290.00	970.00	515.00					330.00
MB	(4) (9) January 31, 2005	In-Store	126.00	140.00	110.00	115.00		246.50	N/A		290.00	970.00	515.00					340.00
Thunder Bay	February 7, 2005	In-Store	98.50	N/A	106.20													
ON	(8) January 31, 2005	On Board	100.50	N/A	107.45													
Lake Ports	February 7, 2005					95.94												
USA	(3) January 31, 2005	Vessel				95.23												
Bay Ports	February 7, 2005	In-Store	134.00	205.00	138.00													
ON	January 31, 2005		135.00	205.00	140.00													
Chatham	February 7, 2005	Track				103.24												
ON	January 31, 2005					102.97												
Toronto	February 7, 2005	N/A					FOB				190.00	N/A	420.00	425.00	114.00		265.00	300.00
ON	(5) January 31, 2005	N/A									190.00	N/A	420.00	425.00	114.00		265.00	300.00
Hamilton	February 7, 2005	N/A						242.29	#N/A									
ON	January 31, 2005	FOB						243.72	#N/A									
Eastern	February 7, 2005	FOB				104.50												
ON	January 31, 2005					106.50												
London	February 7, 2005	FOB																
ON	January 31, 2005																	
Port Colborne	February 7, 2005	FOB								51.50								
ON	January 31, 2005									51.00								
Cardinal	February 7, 2005	FOB																
ON	January 31, 2005																	
Montreal	February 7, 2005		133.00	150.00	142.00	125.50		252.40	178.88	67.67	190.00	850.00	408.00	425.00	114.00		270.00	300.00
QC	(5) January 31, 2005		135.00	150.00	145.50	125.00	FOB	256.39	183.79	66.67	190.00	850.00	424.00	425.00	114.00		270.00	300.00
Trois-Rivières	February 7, 2005	In-Store	135.90		139.40	129.13												
QC	January 31, 2005		130.00		141.90	129.42												
St. Jean QC (2)	February 7, 2005	FOB	143.02	122.44	143.27	115.22		247.57										
Quebec	January 31, 2005	In-Store	131.63	N/A	146.10	115.75		248.62										
QC	February 7, 2005		133.00	N/A	161.26	118.88		249.76										
Trois-Rivières	January 31, 2005	Track	156.86		161.49	163.83		286.63	201.10	245.55			505.00				300.00	
NS	February 7, 2005	Water	157.53		161.49	163.80	FOB	289.48	201.10	245.55			505.00				300.00	
NS	January 31, 2005	& Truck	N/A	N/A	N/A	N/A												
Halifax	February 7, 2005	In-Store	N/A	N/A	N/A	159.00		324.25					1,100.00	N/A				
NS	January 31, 2005		N/A	N/A	N/A	159.00		325.60		297.50			1,100.00	N/A				

Source: Market Analysis Division, Agriculture and Agri-Food Canada; Thunder Bay prices are based on the Winnipeg Commodity Exchange (WCE) market close
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 US\$1.00=CAN\$1.2498, closing date February 4, 2005

Footnotes: All prices in Canadian dollars per metric tonne based on survey respondents.

Grain grades (unless otherwise specified) are: Western or Eastern Feed Wheat, Feed Oats, No.1 Canada Western or Eastern Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn, Soybean Meal 48 % Protein, Canola Meal based on minimum standard of 35% Protein. Fish Meal: white fish and/or herring meal. Gluten Meal 60% Protein. Gluten Feed 21% Protein.

(1) When 3CWRS (2) Canadian Corn #3 or #2 (3) US Corn (4) Fish Meal from West Coast 63% Protein (5) Fish Meal 60% Protein (6) Herring Fish Meal (7) Fraser Valley (8) Wheat & Barley (Basis - Cash Price WCE) (9) Oats 3CW

CANADA: PULSE AND SPECIAL CROPS SUPPLY AND DISPOSITION

February 7, 2005

Grain and Crop Year (a)	Area		Yield t/ha	Production	Imports (b)	Total Supply	Exports (c)	Total Domestic Use (d)	Carry-out Stocks	Average Price (e) \$/t
	Seeded 000 ha	Harvested								
----- thousand metric tonnes -----										
Dry Peas										
2001-2002	1,344	1,285	1.57	2,023	27	2,245	1,381	589	275	190
2002-2003	1,297	1,050	1.30	1,365	41	1,681	628	743	310	210
2003-2004	1,303	1,271	1.67	2,124	24	2,458	1,317	936	205	175
2004-2005f	1,388	1,345	2.48	3,338	20	3,563	2,000	1,063	500	120-150
2005-2006f	1,390	1,355	2.12	2,875	20	3,395	2,000	1,145	250	120-150
Lentils										
2001-2002	708	664	0.85	566	6	828	478	219	131	320
2002-2003	601	387	0.91	354	9	494	320	119	55	390
2003-2004	554	536	0.97	520	5	580	368	174	38	420
2004-2005f	778	750	1.28	961	5	1,004	570	304	130	305-335
2005-2006f	740	715	1.17	840	5	975	570	245	160	305-335
Dry Beans										
2001-2002	184	175	1.70	298	42	390	263	97	30	725
2002-2003	230	219	1.89	414	40	484	297	117	70	445
2003-2004	167	167	2.13	356	31	457	344	83	30	495
2004-2005f	163	126	1.75	220	35	285	205	70	10	655-685
2005-2006f	188	185	1.84	340	30	380	285	75	20	525-555
Chickpeas										
2001-2002	486	467	0.97	455	12	497	146	211	140	380
2002-2003	221	154	1.01	156	9	305	105	140	60	300
2003-2004	63	63	1.08	68	2	130	74	36	20	330
2004-2005f	47	39	1.31	51	5	76	35	36	5	360-390
2005-2006f	54	50	1.20	60	5	70	35	30	5	385-415
Mustard Seed										
2001-2002	166	158	0.66	105	3	213	171	n/a	33	685
2002-2003	289	255	0.60	154	9	196	114	22	60	595
2003-2004	340	328	0.69	226	2	288	121	75	92	390
2004-2005f	317	304	1.00	305	2	399	150	84	165	295-325
2005-2006f	237	230	0.80	185	2	352	160	77	115	320-350
Canary Seed										
2001-2002	170	163	0.70	114	0	184	134	20	30	660
2002-2003	287	227	0.78	176	0	206	164	22	20	575
2003-2004	251	243	0.93	226	0	246	170	n/a	67	345
2004-2005f	356	318	0.94	300	0	367	180	47	140	225-255
2005-2006f	267	260	0.94	245	0	385	185	50	150	225-255
Sunflower Seed										
2001-2002	73	67	1.55	104	29	179	92	65	22	355
2002-2003	100	95	1.65	157	21	200	105	60	35	440
2003-2004	119	115	1.30	150	16	201	96	80	25	405
2004-2005f	87	59	0.92	54	25	104	40	59	5	480-510
2005-2006f	100	95	1.47	140	15	160	80	70	10	410-440
Buckwheat										
2001-2002	16	14	1.14	16	1	17	6	8	3	325
2002-2003	12	12	1.00	12	1	16	6	7	3	340
2003-2004	9	9	1.11	10	1	14	5	7	2	355
2004-2005f	9	7	0.71	5	1	8	2	6	0	340-370
2005-2006f	9	9	1.00	9	1	10	4	6	0	340-370
Total Pulse And Special Crops (c)										
2001-2002	3,131	2,993	1.23	3,681	120	4,553	2,671	1,218	664	
2002-2003	3,025	2,399	1.16	2,788	130	3,582	1,739	1,230	613	
2003-2004	2,797	2,732	1.35	3,680	81	4,374	2,495	1,400	479	
2004-2005f	3,136	2,948	1.78	5,234	93	5,806	3,182	1,669	955	
2005-2006f	2,976	2,899	1.62	4,694	78	5,727	3,319	1,698	710	

(a) August-July crop year.

(b) Excludes products.

(c) Includes Pulse Crops (dry peas, lentils, dry beans, chick peas) and Special Crops (mustard seed, canary seed, sunflower seed, buckwheat)

(d) Includes food, feed, seed, waste and dockage.

(e) Producer price, FOB plant. Average over all types, grades and markets.

f: forecast, Agriculture and Agri-Food Canada, February 7, 2005

n/a Total domestic use is calculated residually. Based on current data on exports and carry-out stocks, it appears that Statistics Canada's production estimate may be low or carry-out stocks high resulting in a very low residual.

Source: Statistics Canada and industry consultations.



CANADA: PULSE AND SPECIAL CROPS OUTLOOK

February 7, 2005

For 2005-06, total area seeded to pulse and special crops in Canada is forecast to decrease by 5%, from 2004-05, as increases for dry beans, sunflower seed and chickpeas are more than offset by decreases for lentils, mustard seed and canary seed. Seeded areas for dry peas and buckwheat are expected to be similar to 2004-05. It is assumed that precipitation will be normal for the winter, spring and summer. Trend yields are assumed for both western and eastern Canada, as soil moisture reserves are generally good. It has been assumed that the abandonment rate and average quality will be normal.

Total production in Canada is forecast to decrease by 10%, from 2004-05, to 4.69 million tonnes (Mt). Total supply is expected to decrease marginally to 5.73 Mt as higher carry-in stocks offset most of the decrease in production. Exports and domestic use are forecast to increase due to stronger demand. Carry-out stocks are expected to decrease. Average prices, over all types, grades and markets, are forecast to increase for chickpeas and mustard seed, decrease for dry beans and sunflower seed, and be the same for dry peas, lentils, canary seed and buckwheat. However, prices are expected to be very sensitive to any production problems. The main factor to watch will be precipitation during the spring and summer in Canada. Other factors to watch are the exchange rates of the Canadian dollar against the US dollar and other currencies, ocean shipping rates and growing conditions in major producing regions, especially India, Mexico, United States, European Union, Turkey and Australia.

DRY PEAS

For 2004-05, due to higher production and supply, lower prices and stronger demand, exports are forecast to increase sharply. The average price is forecast to decrease, compared to 2003-04, as carry-out stocks increase, with a stocks-to-use ratio (s/u) of 16%.

For 2005-06, the area seeded is forecast to be similar to 2004-05. Production and supply are forecast to decrease due to lower trend yields. World supply is expected to increase marginally to 12.65 Mt because of higher carry-in stocks, but this is expected to be offset by increased use. Canadian exports are expected to remain stable, but domestic use is forecast to increase due to stronger demand in the feed sector. Carry-out stocks are forecast to decrease, with a s/u of 8%. The average price, over all types, grades and markets, is forecast to be the same as in 2004-05.

LENTILS

For 2004-05, due to higher production and supply, lower prices and higher demand, exports are forecast to increase sharply. The average price is forecast to decrease, as carry-out stocks increase, with a s/u of 15%.

For 2005-06, the seeded area is forecast to decrease by 5%. Production and supply are forecast to decrease due to the lower seeded area and lower trend yields. World supply is forecast to increase slightly to 4.0 Mt. Canadian exports are expected to remain stable and carry-out stocks are forecast to increase, with a s/u of 20%. The average price, over all types and grades, is forecast to be the same as in 2004-05, as pressure from higher world supply is offset by higher average quality.

DRY BEANS

For 2004-05, production and supply decreased significantly in Canada and the US. Canadian exports are forecast to decrease because of lower supply, as carry-out stocks decrease to a low level.

For 2005-06, area seeded is forecast to increase by 15%. Production and supply are expected to increase, due to higher area, lower abandonment and higher trend yields. In the US, production is expected to increase by 37% to 1.065 Mt, while supply increases by only 8% to 1.135 Mt due to lower carry-in stocks. Canadian exports are

forecast to increase due to the higher supply. Carry-out stocks are expected to increase, with a s/u of 6%. The average price, over all classes and grades, is forecast to decrease due to the higher supply.

CHICKPEAS

For 2004-05, due to lower production and supply, exports are forecast to decrease. The average price is forecast to increase, as carry-out stocks decrease to a low level.

For 2005-06, the area seeded is forecast to increase by 15%. Production is expected to increase, as higher area and lower abandonment more than offsets lower trend yields. Supply is forecast to decrease, due to lower carry-in stocks. World supply is expected to decrease marginally to 8.82 Mt. Canadian exports are forecast to remain stable, while carry-out stocks remain at a low level. The average price, over all types, grades and sizes, is forecast to increase due to higher average quality.

MUSTARD SEED

For 2004-05, due to higher production and supply, lower prices and stronger demand, exports are forecast to increase. Carry-out stocks are expected to increase, with a s/u of 70%, and the average price is forecast to decrease sharply. For 2005-06, area seeded is expected to decrease by 25%. Production and supply are forecast to decrease because of lower seeded area and lower trend yields. Exports are expected to rise and carry-out stocks are forecast to decrease, with a s/u ratio of 48%. The average price, over all types and grades, is expected to increase due to the lower supply.

CANARY SEED

For 2004-05, due to higher production and supply, lower prices and higher demand, exports are forecast to increase. Carry-out stocks are expected to increase, with a s/u ratio of 62%. The average price is forecast to decrease sharply due to the higher supply.

For 2005-06, area seeded is expected to decrease by 25%. Production is forecast to decrease due to lower area, but supply is expected to increase as higher carry-in stocks more than offset the fall in production. World supply is forecast to increase marginally to 415,000 t. Although

Canadian exports are expected to increase, due to higher demand, carry-out stocks are forecast to increase, with a s/u ratio of 64%. The average price is forecast to be the same as in 2004-05, in line with the relatively stable supply.

SUNFLOWER SEED

For 2004-05, due to sharply lower production and supply, exports and domestic use are expected to decrease, and carry-out stocks are forecast to decrease to a low level. The average price is forecast to increase due to the lower supply.

For 2005-06, area seeded is expected to increase by 15%. Production and supply are forecast to increase due to higher area, lower abandonment and higher trend yields. US production is expected to increase significantly. World supply is expected to increase slightly to 26.7 Mt. Canadian exports and domestic use are forecast to increase because of the higher supply. Carry-out stocks are expected to increase, with a s/u of 7%. The average price, over both types and all grades, is forecast to decrease because of the higher supply in US and Canada.

BUCKWHEAT

For 2004-05, due to lower production and supply, exports and carry-out stocks are expected to decrease. The average price is forecast to be the same as in 2003-04, as pressure from higher world supply is offset by lower Canadian supply. For 2005-06, Canadian production and supply are forecast to increase, with a stable seed area, lower abandonment and higher trend yields. Exports are forecast to increase and carry-out stocks are expected to be very low. The average price is forecast to be the same as in 2004-05, as support from lower world supply is offset by higher Canadian supply.

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CANADA: GRAINS AND OILSEEDS SUPPLY AND DISPOSITION

February 7, 2005

Grain and Crop Year (a)	Area		Yield t/ha	Production	Imports	Total	Exports	Food and	Feed, Waste	Total Dom-	Carry-out	Average
	Seeded	Harvested			(b)	Supply	(c)	Ind. Use	& Dockage	estic Use (d)	Stocks	Price (f)
-----000 ha----- ----- thousand metric tonnes----- \$/t												
Durum												
2003-2004	2,483	2,459	1.74	4,280	1	5,900	3,427	252	220	684	1,788	224.21
2004-2005f	2,230	2,141	2.32	4,962	1	6,751	3,200	255	586	1,051	2,500	197 *
2005-2006f	2,245	2,175	2.06	4,490	1	6,991	3,400	260	411	891	2,700	195 f
Wheat Except Durum												
2003-2004	8,179	8,009	2.41	19,272	16	23,395	12,300	2,775	3,222	6,804	4,292	206.03
2004-2005f	8,170	7,722	2.71	20,898	10	25,200	12,600	2,770	3,990	7,600	5,000	187 *
2005-2006f	8,490	8,175	2.43	19,900	10	24,910	13,300	2,800	3,490	7,110	4,500	170 f
ALL WHEAT												
2003-2004	10,662	10,467	2.25	23,552	18	29,295	15,727	3,027	3,442	7,488	6,080	
2004-2005f	10,399	9,862	2.62	25,860	11	31,952	15,800	3,025	4,576	8,652	7,500	
2005-2006f	10,735	10,350	2.36	24,390	11	31,901	16,700	3,060	3,901	8,001	7,200	
Barley												
2003-2004	5,046	4,446	2.77	12,328	36	13,838	2,445	298	8,574	9,286	2,108	135.80
2004-2005f	4,678	4,050	3.26	13,186	50	15,344	1,850	300	9,089	9,794	3,700	100-120
2005-2006f	4,510	4,040	3.01	12,180	30	15,910	2,500	380	9,525	10,310	3,100	110-130
Corn												
2003-2004	1,265	1,226	7.82	9,587	2,107	12,804	342	2,415	8,892	11,319	1,143	137.18
2004-2005f	1,185	1,072	8.24	8,836	2,100	12,078	150	2,650	8,263	10,928	1,000	90-110
2005-2006f	1,185	1,160	7.67	8,900	2,200	12,100	200	2,700	8,335	11,050	850	105-125
Oats												
2003-2004	2,272	1,575	2.34	3,691	19	4,234	1,557	140	1,569	1,876	800	136.65
2004-2005f	1,995	1,315	2.80	3,683	20	4,504	1,500	150	1,567	1,904	1,100	120-140
2005-2006f	2,120	1,540	2.57	3,960	15	5,075	1,800	170	1,705	2,075	1,200	120-140
Rye												
2003-2004	246	147	2.22	327	0	357	171	47	70	135	50	104.44
2004-2005f	284	165	2.53	418	1	469	250	48	99	164	55	65-85
2005-2006f	230	200	2.15	430	1	486	250	48	101	166	70	70-90
Mixed Grains												
2003-2004	241	135	2.84	384	0	384	0	0	384	384	0	
2004-2005f	233	111	2.87	318	0	318	0	0	318	318	0	
2005-2006f	235	140	2.79	390	0	390	0	0	390	390	0	
TOTAL COARSE GRAINS												
2003-2004	9,070	7,529	3.50	26,317	2,161	31,617	4,516	2,900	19,489	23,001	4,101	
2004-2005f	8,374	6,713	3.94	26,441	2,171	32,713	3,750	3,148	19,336	23,108	5,855	
2005-2006f	8,280	7,080	3.65	25,860	2,246	33,961	4,750	3,298	20,056	23,991	5,220	
Canola												
2003-2004	4,736	4,689	1.44	6,771	243	7,908	3,754	3,390 ¹	110	3,542	612	387.04
2004-2005f	5,319	4,938	1.57	7,728	220	8,560	3,400	3,200 ¹	415	3,660	1,500	280-320
2005-2006f	5,015	4,890	1.41	6,900	225	8,625	3,400	3,100 ¹	630	3,775	1,450	280-320
Flaxseed												
2003-2004	745	728	1.04	754	22	905	609	n/a	n/a	199	97	382.13
2004-2005f	728	528	0.98	517	30	644	450	n/a	n/a	144	50	500-600
2005-2006f	1,000	974	1.23	1,200	20	1,270	700	n/a	n/a	245	325	320-360
Soybeans												
2003-2004	1,051	1,047	2.17	2,268	587	3,000	913	1,500 ¹	319	1,947	140	395.04
2004-2005f	1,229	1,178	2.59	3,048	300	3,488	950	1,500 ¹	488	2,113	425	205-245
2005-2006f	1,215	1,199	2.50	3,000	250	3,675	900	1,750 ¹	490	2,350	425	185-225
TOTAL OILSEEDS												
2003-2004	6,531	6,464	1.52	9,794	852	11,813	5,276	n/a	n/a	5,688	849	
2004-2005f	7,277	6,643	1.70	11,293	550	12,692	4,800	n/a	n/a	5,917	1,975	
2005-2006f	7,230	7,063	1.57	11,100	495	13,570	5,000	n/a	n/a	6,370	2,200	
TOTAL GRAINS AND OILSEEDS												
2003-2004	26,263	24,461	2.44	59,663	3,030	72,725	25,518	n/a	n/a	36,177	11,030	
2004-2005f	26,050	23,219	2.74	63,595	2,732	77,357	24,350	n/a	n/a	37,677	15,330	
2005-2006f	26,245	24,493	2.50	61,350	2,752	79,432	26,450	n/a	n/a	38,362	14,620	

(a) August - July crop year except corn and soybeans which are September - August.

(b) Excludes imports of products.

(c) Includes exports of products for wheat, oats, barley, and rye. Excludes exports of oilseed products.

(d) Total = F&I + FWD + Seed Use

(e) Industrial use excludes flaxseed due to data confidentiality.

(f) Crop year average prices: No.1 CWRS 11.5% protein and No.1 CWAD 11.5% (CWB final price I/S St. Lawrence/Vancouver), Barley (No. 1 feed, WCE, cash, I/S Lethbridge), Corn (No.2 CE, cash, I/S Chatham), Oats (US No. 2 Heavy, CBoT nearby futures); Rye (No.2 Canada, Elevator bids at select western delivery points); Canola (No. 1 Canada, WCE, cash, I/S Vancouver); Flaxseed (No. 1 CW, WCE, cash, I/S Thunder Bay); Soybeans (No. 2, I/S Chatham).

* CWB Pool Return Outlook (PRO) - January 2005

^{1/} Source for Food and Industrial Use is based on data from the Canadian Oilseed Processors Association.

f: forecast - Agriculture and Agri-Food Canada - February 7, 2005

Source: Statistics Canada, Cereals and Oilseeds Review Series, Cat. No. 22-007



CANADA: GRAINS AND OILSEEDS OUTLOOK

February 7, 2005

For 2005-06, total production of grains and oilseeds in Canada is forecast by Agriculture and Agri-Food Canada (AAFC) to decline by 4%, to 61.3 million tonnes (Mt), due to lower trend yields, but remain above the 10-year average of 59.2 Mt. In western Canada, seeded area is expected to shift out of winter wheat, barley, canola and summerfallow into spring wheat, oats and flaxseed. In eastern Canada, a 5% decline in winter wheat area is forecast to be offset by an increase in areas of spring wheat and dry beans, with corn and soybean areas rising marginally. In western Canada, production is forecast to decrease to 46.2 Mt from 48.2 Mt in 2004-05, assuming normal growing conditions during 2005. Trend yields are assumed for both western and eastern Canada, as soil moisture reserves are generally good. It has been assumed that abandonment rates and quality will be normal.

Average world prices for wheat and oilseeds are forecast to decrease from the expected 2004-05 average due to rising stock levels, especially in the major exporting countries. Coarse grain prices are forecast to increase slightly, due to lower US corn production and strong demand. In Canada, prices for all grains and oilseeds will continue to be pressured by the strong Canadian dollar. Factors to watch are: Chinese import demand, South American growing conditions, EU grain export subsidy levels, the US winter wheat condition, ocean freight rates and the Canada/US exchange rate.

WHEAT (ex-durum)

For 2004-05, exports are forecast to increase marginally to 12.6 Mt. Domestic use is forecast to rise by 12%, due to increased feed use resulting from the low quality of the crop in western Canada. Carry-out stocks are forecast to increase by 17% to 5.0 Mt, with most expected to be of low quality.

For 2005-06, Canadian production is forecast to decline by 5% from 2004-05, to 19.9 Mt, with lower yields offsetting higher area. Domestic use is expected to decrease by 6%, with feed use falling by over 20% to a near-normal 3.3 Mt, assuming a return to normal crop quality. Exports are projected to increase to 13.3 Mt, assuming that supplies of top-quality CWRS wheat increase to more normal levels. The Canadian Wheat Board (CWB) 2005-06 pool returns for No.1 CWRS 11.5% protein are forecast by AAFC at \$170/t, in-store Vancouver/ St. Lawrence (I/S VC/SL), \$17/t below the CWB Jan. 2004-05 Pool Return Outlook (PRO). Returns for higher quality wheat are expected to decline by a greater amount, assuming a normal quality crop.

DURUM

For 2004-05, exports are forecast to decline by 7%, to 3.2 Mt, due to increased production in the major importing countries. Carry-out stocks are projected to increase by 40%, to 2.5 Mt. For 2005-06, production is forecast to decline by 9%, assuming lower yields. Total supplies are forecast to rise by 4%, to 7.0 Mt, however, due to higher carry-in stocks, vs the 10-year average of 6.3 Mt. Exports are projected to increase to 3.4 Mt, due to increased demand from North Africa and reduced EU production and exports. However, carry-out stocks are forecast to rise by a further 8%, to a near-record 2.7 Mt. Farm stocks are forecast to rise by 15%, to 1.5 Mt, as it is expected that it will be necessary for the CWB to continue to restrict durum deliveries due to limited export demand. CWB pool returns for No.1 CWAD 11.5% protein are forecast by AAFC at \$195/t, I/S VC/SL, down only slightly from 2004-05. The premium for No.1 CWAD 11.5% over No.1 CWRS 11.5% is projected to rise to \$25/t, from \$10/t in 2004-05.

BARLEY

For 2004-05, exports are forecast to decrease by 24% from 2003-04 to 1.85 Mt due mainly to lower selection rates for malting barley. Carry-out stocks are forecast to rise to the burdensome level of 3.7 Mt.

For 2005-06, production is forecast to decrease by 8% from 2004-05 to 12.2 Mt, due to lower yields and area. Total supplies, however, are expected to rise slightly, due to higher carry-in stocks. Domestic use is forecast to increase by 5% due to higher feed demand. Exports are projected to increase significantly, to 2.5 Mt, assuming increased supplies of malting quality barley. Carry-out stocks are expected to drop to 3.1 Mt. Off-Board feed barley prices are forecast at \$120/t, \$10/t higher than for 2004-05. CWB pool returns for feed barley are forecast by AAFC to increase slightly from 2004-05. CWB pool returns for Special Select Two Row designated barley are forecast by AAFC at \$185/t, vs the Jan. PRO of \$178/t for 2004-05, due mainly to higher world coarse grain prices.

OATS

For 2004-05, exports are forecast to drop by 4% from 2003-04, to 1.5 Mt, as a result of decreased supplies of milling quality oats in Canada and the weakness in US import demand. Carry-out stocks are projected to increase by 38%, to 1.1 Mt.

For 2005-06, production is forecast to increase by 8%, as lower yields are more than offset by higher harvested area. Domestic use is forecast to increase to 2.1 Mt, due to higher feed and industrial demand. Exports are forecast to rise by 20%, due to improved crop quality, increased supplies, and stronger US demand. Carry-out stocks are expected to rise by 9%, to 1.2 Mt. Chicago prices are forecast at C\$130/t, the same as in 2004-05.

CORN

For 2004-05, imports are forecast at 2.1 Mt, marginally lower than 2003-04. Carry-out stocks are expected to decline to 1.0 Mt. For 2005-06, production is forecast to rise marginally to 8.9 Mt, as lower yields are more than offset by higher harvested area. Imports are forecast to rise by 5% to 2.2 Mt. Carry-out stocks are forecast to drop by 15% to 0.85 Mt. The average Chatham price is forecast to increase to \$115/t from \$100/t in 2004-05.

CANOLA

For 2004-05, exports are forecast to drop by 9% to 3.4 Mt. Carry-out stocks are expected to rise to the burdensome level of 1.5 Mt. For 2005-06, production is forecast to fall by 11% to 6.9 Mt due to lower seeded area and yields but supplies are expected to rise. Domestic crush is forecast to fall by 3% to 3.1 Mt, due to low veg-oil prices. Exports are projected to remain unchanged at 3.4 Mt on support from stable demand from Japan and Mexico. Carry-out stocks are forecast to decline to 1.45 Mt. The average cash price (I/S VC) is forecast to hold steady at \$300/t, due to low US soybean and soyoil prices.

FLAXSEED (excluding solin)

For 2004-05, exports are expected to decline sharply because of reduced supplies. Prices are expected to rise sharply.

For 2005-06, production is forecast to double to 1.2 Mt, due to higher area seeded and yields. Exports are forecast to return to a historically normal level due to strong EU demand. Carry-out stocks are expected to increase sharply to a 20-year high of 0.3 Mt. The Thunder Bay cash price is forecast to fall significantly to \$340/t, due to higher carry-out stocks.

SOYBEANS

For 2004-05, exports are expected to rise to a record 0.95 Mt, while domestic crush remains unchanged at 1.5 Mt.

For 2005-06, production is expected to decrease marginally to 3.0 Mt, due to lower yields, but supplies are forecast to increase by 5% due to higher carry-in stocks. Food and industrial use is forecast to increase to 1.75 Mt, while exports decline slightly but remain near record levels. Carry-out stocks are forecast to remain historically high. The average Chatham price is forecast to decrease to \$205/t, due to lower US prices.

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CANADA: AREA SEEDED 2005-2006

CROP BUDGETS

MANITOBA

	Wheat CWRS	Barley Feed ^{1/}	Canola	Flaxseed	Soybeans	Oats	Sunflower Confectionary	Dry Peas Green
Variable Costs ^{1/}	\$/ha							
Seed (inc. treatment)	28	27	62	32	127	26	87	62
Fertilizer	83	83	99	72	32	76	99	43
Chemical	77	64	96	52	106	26	142	69
Fuel	28	28	28	28	30	28	30	30
Repairs	25	25	25	25	24	25	27	26
Crop Insurance	14	12	22	15	21	16	19	15
Interest	8	7	10	7	10	6	12	8
Other	19	19	19	19	20	19	35	20
Total Variable Costs	281	265	361	249	371	222	451	272
Projected Returns ^{2/}	2 CWRS*	1 CW	1 CAN	1 CW	2 CAN	3 CW	1 CAN	2 CAN
Projected Yield (t/ha)	2.65	3.40	1.70	1.38	1.85	3.00	1.50	2.55
Projected Price (\$/t)	125	80	260	320	220	110	465	170
Projected Revenue	331	272	442	440	407	330	698	434
Net Return (\$/ha)	51	7	81	191	36	108	246	162

SASKATCHEWAN: Brown Soil Zone - conventional seeded stubble

	Wheat CWRS	Wheat Durum	CPS	Barley Feed ^{1/}	Lentils Large Green	Mustard Yellow	Chick Peas Large Kabuli	Desi
Variable Costs ^{3/}	\$/ha							
Seed (inc. treatment)	17	21	14	14	58	42	178	49
Fertilizer	62	62	62	62	18	62	18	18
Chemicals	38	39	36	36	93	43	167	81
Fuel	29	29	29	29	32	31	32	32
Repairs	18	18	18	18	27	18	27	27
Crop Insurance	9	10	11	11	33	17	32	25
Interest	5	5	4	4	7	5	11	6
Other	20	20	18	18	19	17	16	16
Total Variable Costs	198	203	192	192	286	234	481	254
Projected Returns ^{2/}	1 CWRS*	1 CWAD*	1 CPS	1 CW	1 CAN	1 CAN	1 CW	1 CW
Projected Yield (t/ha)	1.90	1.65	2.25	2.00	1.00	0.75	1.05	1.20
Projected Price (\$/t)	125	155	95	90	355	350	560	255
Projected Revenue	238	256	214	180	355	263	588	306
Net Return (\$/ha)	40	52	22	-12	69	28	107	52

SASKATCHEWAN: Black Soil Zone - conventional seeded stubble

	Wheat CWRS	Barley Malting	Barley Feed ^{1/}	Oats	Canary Seed	Dry Peas Yellow	Flaxseed	Canola
Variable Costs ^{3/}	\$/ha							
Seed (inc. treatment)	19	16	16	20	16	44	22	68
Fertilizer	76	76	76	76	76	15	66	82
Chemicals	51	46	46	25	51	68	59	57
Fuel	29	29	29	29	29	32	32	31
Repairs	23	23	23	23	23	33	28	23
Crop Insurance	11	11	11	13	19	17	16	18
Interest	6	5	5	5	6	6	6	7
Other	28	23	23	23	25	21	23	23
Total Variable Costs	243	230	230	215	245	236	252	308
Projected Returns ^{2/}	2 CWRS*	SS2R	1 CW	3 CW		2 CAN	2 CW	1 CW
Projected Yield (t/ha)	2.50	2.65	2.80	2.40	0.95	2.05	1.20	1.26
Projected Price (\$/t)	120	130	90	95	240	150	310	260
Projected Revenue	300	345	252	228	228	308	372	328
Net Return (\$/ha)	57	115	22	13	-17	71	120	19

Totals may not add due to rounding

^{1/} Manitoba Agriculture, Food and Rural Initiatives variable costs, Jan. 2005

^{3/} Saskatchewan Agriculture, Food and Rural Revitalization, December 2004

^{2/} AAFC forecast, February 2005

^{4/} Off-Board

* CWRS: 13.5% protein / CWAD: 13.0% protein

CANADA: AREA SEEDED 2005-2006

CROP BUDGETS

ALBERTA: Brown Soil Zone - stubble

	Wheat		Barley	Canola	Lentils	Chickpeas	Mustard
	CWRS	Durum	Feed		Large Green	Large Kabuli	Yellow
Variable Costs ^{1/}	\$/ha						
Seed (inc. treatment)	23	26	18	31	64	167	26
Fertilizer	62	62	62	43	15	15	69
Chemicals	60	60	30	56	49	75	62
Fuel	17	17	17	17	17	17	17
Repairs	16	16	16	16	19	19	16
Crop Insurance	20	22	22	32	20	25	30
Interest	2	2	2	2	2	2	2
Other	26	26	27	24	24	24	24
Total Variable Costs	226	231	196	221	210	343	246
Projected Returns ^{2/}	1 CWRS*	1 CWAD*	1 CW	1 CAN	1 CAN	1 CW	1 CAN
Projected Yield (t/ha)	1.80	1.75	2.00	1.10	0.95	1.05	0.75
Projected Price (\$/t)	135	155	95	265	360	560	350
Projected Revenue	243	271	190	292	342	588	263
Net Return (\$/ha)	17	40	-6	70	132	245	17

ALBERTA: Black Soil Zone - stubble

	Wheat		Barley	Oats	Dry Peas		Canola
	CWRS	CPS	Feed		Green	Feed	
Variable Costs ^{1/}	\$/ha						
Seed (inc. treatment)	32	39	26	26	77	77	46
Fertilizer	107	107	107	107	30	30	132
Chemicals	58	58	51	19	63	63	76
Fuel	25	25	25	25	25	25	25
Repairs	32	32	32	32	35	35	32
Crop Insurance	25	25	22	23	25	25	27
Interest	5	5	5	5	5	5	6
Other	41	43	45	42	41	41	26
Total Variable Costs	326	335	313	280	301	301	372
Projected Returns ^{2/}	2 CWRS*	1 CPS	1 CW	3 CW	2 CAN	Feed	1 CAN
Projected Yield (t/ha)	2.60	3.30	3.40	2.50	2.30	2.30	1.50
Projected Price (\$/t)	130	105	95	95	170	120	265
Projected Revenue	338	347	323	238	391	276	398
Net Return (\$/ha)	12	12	10	-42	90	-25	26

Ontario: - conventional seeded

	Wheat		Barley	Corn	Soybeans	Dry Beans	Canola
	SRW	HRW	Feed	Grain		White Pea	winter
Variable Costs ^{3/}	\$/ha						
Seed (inc. treatment)	91	122	81	150	93	141	85
Fertilizer	147	189	143	179	55	78	229
Chemicals	38	38	98	108	101	165	77
Fuel	23	23	23	34	23	36	17
Repairs	39	39	39	41	42	45	32
Crop Insurance	20	20	10	41	39	45	25
Interest	18	21	14	21	11	15	13
Other (includes drying)	38	38	22	171	41	22	26
Total Variable Costs	413	489	430	745	405	546	505
Projected Returns ^{2/}	1 CERW	1 CERW*	Feed	2 CE	2 CAN	1 CAN	1 CAN
Projected Yield (t/ha)	5.00	4.75	3.50	8.00	2.50	1.85	2.10
Projected Price (\$/t)	130	150	110	110	225	550	265
Projected Revenue	650	713	385	880	563	1,018	557
Net Return (\$/ha)	237	223	-45	135	158	471	52

Totals may not add due to rounding

^{1/} 2004 Alberta Agriculture, Food and Rural Development variable costs, adjusted by the projected Farm Input Price Index (FIPI)

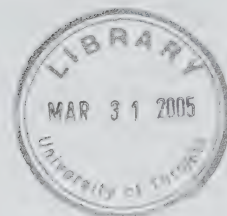
^{2/} AAFC forecast, February 2005 ^{3/} AAFC forecast based on 2004 Ontario Ministry of Agriculture, Food and Rural Affairs costs

^{4/} Off-Board * CWRS: 13.5% protein / CWAD: 13.0% protein / CERW 11.5% protein



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CANADA: AREA SEEDED FOR 2005-2006

A farmer's decisions on which crops to seed are heavily influenced by expected net returns, as well as current prices, spring soil moisture conditions, expected delivery opportunities, cash flow needs, crop rotation requirements, potential disease and pest problems and on-farm stocks. In 2005-2006, prices for wheat and oilseeds (except canola) are forecast to decline from 2004-2005 due to rising world stock levels. Feed grain prices are projected to strengthen slightly, mainly due to reduced US corn production. Based on these factors, Market Analysis Division (MAD) has projected crop areas for 2005. In western Canada, the areas seeded to winter wheat, barley, canola, lentils, mustard seed and canary seed are expected to decrease, while the areas of spring wheat, oats, flaxseed, dry beans, chickpeas and sunflower seed are forecast to increase. In eastern Canada, higher spring wheat and dry bean areas are expected to offset the smaller area of winter wheat, with only marginal changes expected for corn and soybeans. This issue of the Bi-weekly Bulletin examines the net returns and area seeded for grains, oilseeds, pulses and special crops in Canada.

Background

Expected returns are an important factor affecting cropping decisions. Returns, net of variable or operating costs, affect short-term cropping decisions, while returns, net of total costs (fixed and variable), influence long-term decisions, such as rotation patterns and entry into, or exit from, the industry. Variable costs change with the type of crop grown, while fixed costs vary little with the type of crop. Therefore, fixed costs such as land rental, property taxes, hired labour and machinery depreciation, as well as the value of a farmer's own labour, are not included in MAD's analysis of seeding intentions.

While expected net returns are a valuable indicator of area shifts between land use options, it is not the only factor to consider. Delivery opportunities can be a major factor, with a farmer requiring immediate cash flow perhaps choosing to grow feed barley rather than wheat, despite less attractive expected net returns, as the Canadian Wheat Board regulates the delivery of milling wheat, and may not accept delivery of the entire year's production. Crop rotations must also be considered, as certain crops cannot

be grown consecutively on the same fields due to disease pressure, so that the area of an otherwise attractive crop may be restricted. Large stock levels can also discourage production of additional grain.

As each province's agriculture department uses a different methodology, the crop budgets used here are not comparable across provinces, but only between crops within a province. Saskatchewan Agriculture, Food and Rural Revitalization provides crop budgets for crops seeded to fallow and stubble land for each soil zone. Alberta Agriculture, Food and Rural Development provides budgets for crops seeded to fallow and stubble in the brown and dark brown soil zones, with only stubble-seeded budgets for crops in the black and grey soil zones. Manitoba Agriculture, Food and Rural Initiatives provides only average crop budgets, as the majority of Manitoba crops are grown on stubble and most of Manitoba's agricultural area is in the black soil zone. The Ontario Ministry of Agriculture and Food provides average crop budgets for various tillage systems.

Productivity in western Canada is correlated with soil type. For example, the brown soil zone in the semi-arid region of the Prairies is more subject to drought than the dark brown soil zone, resulting in wider variations in crop yields. The black soil zone, located in a higher moisture region, has higher average yields and is rarely subject to drought. The grey soil zone, extending into the northern regions of the Prairies, is characterized by higher moisture levels, cooler temperatures, and a shorter growing season. Climatic conditions also influence the susceptibility of crops to disease and pest infestations requiring different combinations and levels of herbicides and pesticides.

PRICE FORECASTS

The price forecasts used by MAD in this analysis assume normal growing conditions in Canada and other major growing regions of the world in 2005-2006. Actual prices could differ considerably as a result of unusual weather in Canada or major importing or exporting countries, as well as other changes in market factors.

The prices shown for each crop in each region represent the forecast average price in that region for the expected grade of each crop. For spring wheat, it is assumed that farmers in the black soil zones would expect to achieve a No.2 CWRS grade, with 13.5% protein, while a No.1 CWRS grade would be expected in the drier brown soil zones. Durum producers in the brown soil zone might expect to produce a No.1 CWAD with 13% protein. For barley, potential returns are given for malting barley as well as for feed barley, and farmers hoping to have their barley selected for malting would have to weigh the possibility that their crop may not meet malting specifications and have to be sold for feed. For dry peas, prices for food grade green and yellow

peas are given, but, as with barley, not all peas will be sold for human food, and farmers should also take into account the significantly lower net returns for feed peas.

Price levels at seeding time, or prices received the previous year, can also impact on seeding decisions, as projected prices are often not accurate, and many farmers will therefore make decisions based on their own expectations or past experience. In the spring of 2005, this factor may be most significant for crops such as flaxseed, sunflower seed and dry beans, where prices in 2004-2005 have been relatively high due to production problems. CWRS wheat area may also be supported, as top quality CWRS prices are relatively good in 2004-2005, and few farmers expect to produce feed quality wheat. Conversely, sharp declines in prices for feed barley and canola in 2004-2005 may negatively impact on farmers' outlook for these crops.

YIELD FORECASTS

Average provincial yields have been forecast by MAD, using trend analysis. Adjustments for soil zone are based on historical data from Statistics Canada. Adjustments to a 'stubble' basis are based on provincial data. Actual yields can vary greatly due to factors such as weather, disease, pests or a farmer's input use.

For 2005-2006, MAD assumes that yields will be near trend for all crops. Despite below normal precipitation in parts of the southern Prairies since last fall, moisture reserves were replenished by above-normal rainfall in the summer of 2004, and normal precipitation levels are assumed during the 2005 growing season.

Environment Canada's spring forecast calls for below normal precipitation in Alberta, the Peace River District of British Columbia and north-western Saskatchewan, above normal in eastern Manitoba and normal precipitation in the remainder of the Prairie agricultural region. For the summer growing

season, precipitation is expected to be normal except for north-western Alberta and BC Peace, which remains dry. Spring temperatures are forecast to be near-normal across the entire Prairie agricultural area, with temperatures during the summer rising to above normal for BC, Alberta and Saskatchewan, and Manitoba experiencing normal summer temperatures. If this forecast is correct, trend yields should be achievable in most regions except north-western Alberta and the BC Peace River District.

In Ontario and Quebec, Environment Canada forecasts that conditions will be dry in the spring, but rising to wetter than normal for the summer. Summer temperatures, however, are expected to be cooler than normal. A dry spring may reduce winter wheat yields, while a cool summer may slow corn and soybean development, despite expected adequate moisture.

EXPENSES

As projected 2005 costs are not yet available for Alberta, MAD has used the 2004 provincial cost estimates, adjusted by the Farm Input Price Index projected by Agriculture and Agri-food Canada.

Fertilizer

Fertilizer costs are a significant factor in seeding decisions. Natural gas is the primary raw material required for the production of ammonia, which is the foundation for virtually all forms of nitrogen fertilizer. The average North American ammonia factory requires about 33.5 million British thermal units (MBtu) to produce one tonne of ammonia. Natural gas costs are currently about US\$6.10/MBtu compared with about US\$5.80/MBtu a year ago and US\$7.00/MBtu in 2003. With natural gas priced at about US\$6.10/MBtu, 1 tonne of nitrogen fertilizer will cost about US\$230 to produce {33.5 MBtu x \$6.10 + \$25 (fixed cost)} (Cdn\$290 at the current exchange rate) compared to about US\$220 (Cdn\$280) in 2004 and US\$260 (Cdn\$400) in 2003. Tight North American supplies are expected to keep natural gas prices relatively

CANADA: AREA SEEDED			
	2004	2005f	Change
	.....kha.....		%
Winter Wheat	642	483	-24.8%
Spring Wheat	7,527	8,007	6.4%
Durum Wheat	2,230	2,244	0.6%
All Wheat	10,399	10,734	3.2%
Oats	1,995	2,122	6.4%
Barley	4,678	4,513	-3.5%
Rye (all)	284	230	-19.2%
Mixed Grains	233	233	0.4%
Corn	1,185	1,183	-0.1%
Coarse Grains	8,374	8,281	-1.1%
Flaxseed	728	1,000	37.3%
Canola	5,319	5,016	-5.7%
Soybeans	1,229	1,213	-1.3%
Oilseeds	7,277	7,229	-0.7%
Dry Peas	1,388	1,388	0.0%
White Pea Beans	65	79	21.9%
Coloured Beans	98	109	11.0%
Lentils	778	739	-5.0%
Mustard Seed	317	237	-25.2%
Sunflower Seed	87	100	14.9%
Canary Seed	356	267	-25.0%
Chickpeas	47	54	15.9%
Buckwheat	9	9	-1.1%
Pulse and Special Crops	3,145	2,982	-5.2%
Summerfallow	3,609	3,502	-3.0%
The sum of individual commodities may not equal totals due to rounding.			
f: forecast, AAFC, February 2005			
Source: Statistics Canada			

high, especially if the winter is colder than normal.

Phosphorus prices are also expected to be higher than for 2004. Higher world fertilizer prices will be partly offset by the stronger dollar, with average Canadian fertilizer prices projected to be about 5% higher in 2005 than in 2004.

Farm Fuel

Strong global demand, instability in Iraq's, smaller US reserves, and the success of the Organization of the Petroleum Exporting Countries in controlling supply, have driven oil prices to over US\$45/barrel (Cdn\$56), compared to under US\$40/barrel (Cdn\$50) a year ago. The stronger Canadian dollar will offset part of the increase in world prices, but Canadian farm fuel prices are expected to be more than 10% higher than in 2004.

Herbicides and Pesticides

Herbicide use varies greatly depending on the crop seeded and by the growing conditions. For the majority of crops, use is expected to be similar to 2004, with prices 2% to 3% higher.

Between 2000 and 2003, grasshoppers were a serious pest in many parts of Saskatchewan and Alberta due to dry conditions. However, cool wet conditions in 2004 reduced grasshopper numbers, and grasshoppers are not expected to be a serious problem in 2005. Therefore, pesticide use for grasshopper control in 2005 may be lower than in the early years of the decade.

Seed

The cost of seed is expected to increase marginally in 2005 for canola and flaxseed. Seed costs for wheat, barley, oats and dry peas, however, are projected to decrease slightly. The seed costs used in this analysis are generally an average of commercial and bin-run seed.

Crop Insurance

Crop insurance costs in 2005 are expected to be relatively unchanged from 2004, despite a significant increase in crop claims, particularly in Saskatchewan and Manitoba.

However, rates will vary depending on the province and crop seeded.

CROP BUDGETS

Comparing budgets across the provinces, custom work costs for western Canada have been included in "other" costs, which also includes overhead expenses such as utilities. For Ontario, custom work costs have been added to chemical and fertilizer costs. In Ontario, "other" costs include marketing fees and drying. The cost of management and/or owner/operator labour has not been included in the budgets.

In **Manitoba**, the highest projected net returns are for flaxseed and confectionery sunflower seed, followed by green peas, soybeans, oats and canola. Flaxseed returns are supported by tight supplies arising from the cool 2004 growing season and August frost across much of the flaxseed growing region of Saskatchewan and Manitoba. Net returns are forecast to be the lowest for Canada Western Red Spring (CWRS) wheat and feed barley due to lower expected prices in 2005-2006. If sold for feed, green pea returns would be reduced to \$34/ha, lower than for all other crops except barley.

In the **Saskatchewan brown soil zone**, the highest net returns are for large green lentils, chickpeas, and durum wheat. Yellow mustard seed, CWRS wheat, and feed barley are expected to provide the lowest net returns per hectare. In the **black soil zone**, flaxseed is expected to provide the highest net return, followed by malting barley (Special Select 2 Row {SS2R}), yellow peas and CWRS wheat. The lowest potential net returns are for canary seed, oats, canola, feed barley and feed peas.

In the **Alberta brown soil zone**, the potential net returns for large kabuli chickpeas, large green lentils and canola are the highest, with the lowest potential net returns for feed barley and CWRS wheat. In the **black soil zone**, green peas and Argentine canola have the highest potential returns, followed by Canada Prairie Spring (CPS) wheat, CWRS wheat and feed barley. Oats

and feed peas are expected to have the lowest net returns.

In **Ontario**, white pea beans are expected to have the highest net return due to strong prices, followed by soft red and hard red winter wheat, soybeans and grain corn. Returns for feed barley are expected to be very low; however most of this crop is used on farm for feeding so that market price is less of a factor in planting decisions. For both wheat and barley, additional revenue may be earned through the sale of straw.

AREA SHIFTS

In **western Canada**, area seeded to spring wheat, flaxseed, oats, dry beans, sunflower seed and chickpeas is expected to increase in 2005. The areas of winter wheat, barley, rye, corn, canola, soybeans, lentils, mustard seed, and canary seed are expected to decline, with durum and dry pea areas relatively unchanged from 2004. In **eastern Canada**, a decline in winter wheat area is expected to be offset by slightly higher areas of spring wheat, corn, soybeans, and a significant increase in dry bean area.

In western Canada, spring wheat area is forecast to increase by 6% to 7.9 million hectares (Mha) in 2005, despite lower potential net returns than for several alternative crops. This is due to a number of factors, included sharply lower winter wheat area because of the late 2004 harvest, relatively stronger wheat returns in 2004-2005 compared to canola, better delivery opportunities than for durum wheat and crop rotation considerations. Area seeded to durum is expected to be relatively unchanged from 2004, despite the higher returns when compared with spring wheat, due to rising stocks and restricted deliveries in 2004-2005.

Area seeded to barley in western Canada is forecast to decrease by 4% in 2005, to 4.2 Mha, due to extremely low prices for feed barley in 2004-05. The expected decline in area is moderated by good expected returns for malting barley and barley's role as a good cash crop and as a major feed ingredient on western farms. However, the area seeded to barley in 2005 is

forecast to be below the 10-year average of 4.5 Mha.

Area seeded to oats in western Canada is projected to increase by 7% to 2.0 Mha due to attractive potential net returns for milling quality oats, and relatively stronger prices in 2004-2005 than for the major alternative crops; barley and canola.

Area seeded to canola in western Canada is projected to decrease by 6% to 5.0 Mha due to lower net returns relative to alternative crops, the large decline in prices in 2004-2005, the greater production risk compared to wheat and rising stock levels. Canola prices are forecast to remain near the depressed 2004-2005 level, due to weak US soybean prices and the strong Canadian dollar.

Flaxseed area is forecast to increase by almost 40% to 1.0 Mha in 2005 due to extremely high prices in 2004-2005 and relatively good projected net returns for 2005-2006. Prices, however, are expected to be pressured by a stronger Canadian dollar and higher supplies.

Pulse and Special Crops

In western Canada, area seeded to pulse and special crops in 2005 is expected to decrease by 6% to 2.91 Mha due to one or more of the following factors: (1) lower expected net returns than for competing crops, (2) high carry-in stocks or (3) higher production risks compared to other crops. Area seeded to mustard seed and canary seed is forecast to decrease by about 25%. Mustard seed prices for all types are expected to increase slightly due to lower supply. Canary seed prices are expected to remain stable, in line with a stable world supply. Dry pea area is expected to be similar to 2004 at 1.39 Mha. Prices are expected to remain stable. The area seeded to lentils is expected to decrease by about 5% to 0.74 Mha. Supply is expected to decrease slightly. Prices for the top grades are forecast to decrease significantly, assuming a return to a normal quality crop from the lower than average quality crop in 2004.

Summerfallow area has been steadily declining since 1988, reaching a low of 3.61 Mha in 2003, because new technology, including improved herbicides and seeding systems, have allowed for continuous cropping. Also, the increased availability of alternative crops, some of which are nitrogen-fixing, and the use of crop rotation, has decreased the producers' reliance on summerfallow. Summerfallow area rose marginally in 2004, mainly due to wet seeding conditions, but is forecast to decline in 2005 and reach a record low of 3.5 Mha. If moisture conditions are dry in the spring, farmers may be reluctant to seed crops on stubble, supporting summerfallow area, but due to above-normal precipitation in 2004, soil moisture conditions are adequate in most parts of western Canada. Expectations for higher input costs and lower commodity prices, conversely, may support summerfallow area as farmers may take marginal land out of production.

Ontario

Area seeded to winter wheat in the fall of 2004, estimated by Statistics Canada at 0.3 Mha, is down about 5% from 2003 due to lower prices and a late soybean harvest. Winter wheat is a rotational crop and a source of cash during the summer for many Ontario farmers, with seeded area largely dependent on fall seeding conditions, although potential net returns for both soft and hard red winter wheat compare very favourably with corn and soybeans in 2005. As with barley, additional revenue can be realized from wheat in Ontario through the sale of straw.

Area seeded to corn is expected to increase slightly to 0.70 Mha in 2005 due to lower area seeded to winter wheat. Production is forecast to increase only marginally due to lower yields. Average prices in 2005-2006 are expected to rise by \$10/t to about \$115/t (No.2 Canada Eastern cash in-store, Chatham) due to expected higher US prices.

Area seeded to soybeans in Ontario is expected to increase marginally as a result of the decline in area seeded to winter wheat. Production is expected to decline by 7% as yields decline to

normal levels. Prices for soybeans are expected to decline by \$25/t to an average price of about \$205/t (in store Chatham), due to higher soybean production in the US and a strengthening of the Canadian/US exchange rate.

The area seeded to white pea beans in Ontario is expected to increase by about 40% in 2005, due to strong prices in 2004-2005. Area seeded to white pea beans is relatively small, due to higher production risk. Coloured bean area is expected to rise by about 10%. Higher Canadian and US supply, as a result of higher seeded area, lower abandonment and higher yields, are expected to pressure prices for nearly all classes of dry beans.

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A. SELLING PRICE OF BULK FEED INGREDIENTS AT SELECTED POINTS

January 10, 2005

SELECTED POINT	REFERENCE PERIOD	PRICE BASIS	(1) WHEAT	OATS	BARLEY	CORN	PRICE BASIS	SOYBEAN MEAL	CANOLA MEAL	MILL FEEDS MEAL	FISH MEAL	ANIMAL FAT	GLUTEN MEAL	GLUTEN FEED	FEED PEAS	DEHY ALFALFA	FEATHER MEAL
Vancouver	January 10, 2005	FOB	122.00	N/A	125.00	143.50		267.50	158.00	115.00			850.00	500.00			325.00
BC (4) (7)	January 4, 2005	FOB	122.00	N/A	125.00	145.50		262.00	162.50	112.00			150.00	975.00	535.00		325.00
Calgary	January 10, 2005	FOB	104.00	N/A	112.00	138.00		262.00					125.00	975.00	535.00		300.00
AB (4)	January 4, 2005	FOB	104.00	N/A	110.00	140.00		258.00	N/A	125.00			165.00	N/A	535.00		300.00
Saskatoon	January 10, 2005	FOB	83.50	130.00	91.00	134.00		265.50	N/A	140.00			290.00	1012.50	515.00	115.33	350.00
SK (4)	January 4, 2005	FOB	83.50	123.00	93.50	135.00		266.50	N/A	140.00			290.00	972.50	515.00		350.00
Winnipeg	January 10, 2005	FOB	126.50	140.00	110.00	120.00		244.00	N/A	290.00			290.00				350.00
MB (4) (9)	January 4, 2005	In-Store	102.00	N/A	110.50	117.00		245.00	N/A								315.00
Thunder Bay	January 10, 2005	In-Store	101.00	N/A	109.95												
ON (8)	January 4, 2005	On Board				99.11											
Lake Ports	January 10, 2005	Vessel				103.82											
USA (3)	January 4, 2005	In-Store	132.00	205.00	150.00												
Bay Ports	January 10, 2005	In-Store	132.00	205.00	150.00												
ON	January 4, 2005	Track				105.49											
Chatham	January 10, 2005					104.38											
Toronto	January 4, 2005	N/A					FOB						168.00	N/A	460.00	425.00	114.00
ON (5)	January 10, 2005	N/A											168.00	N/A	460.00	425.00	114.00
Hamilton	January 4, 2005							251.10	#N/A								285.00
ON	January 10, 2005							242.29	#N/A								
Eastern	January 4, 2005	FOB				107.50											
ON	January 10, 2005	FOB				101.00											
London	January 4, 2005	FOB															
ON	January 10, 2005	FOB															
Port Colborne	January 4, 2005	FOB															
ON	January 10, 2005	FOB															
Cardinal	January 4, 2005	FOB															
ON	January 10, 2005	FOB															
Montreal	January 4, 2005		133.00	150.00	149.00	129.00		258.57	177.88	87.33	168.00	850.00	424.00	425.00	114.00		270.00
QC (5)	January 10, 2005		133.00	125.00	150.00	128.00	FOB	252.70	176.13	96.67	168.00	850.00	413.00	425.00	114.00		310.00
Trois-Rivières	January 4, 2005	In-Store	134.00		147.00	133.75											
QC	January 10, 2005		133.50		149.90	131.69											
St. Jean QC (2)	January 10, 2005	FOB	134.99	123.24	140.45	122.68		263.42									
St. Hyacinthe QC	January 4, 2005		150.57	122.40	147.91	122.69		251.19									
Quebec	January 10, 2005	In-Store	131.00	N/A	165.42	128.48		251.72									
QC	January 4, 2005		130.83	N/A	164.63	120.37		251.11									
Turo	January 10, 2005	Track	156.19		166.48	166.23		279.81	203.63		223.55						310.00
NS	January 4, 2005		156.19		166.48	166.53	FOB	280.86	203.63		223.55						310.00
Turo	January 10, 2005	Water	N/A	N/A	N/A	N/A											
NS	January 4, 2005	& Truck	N/A	N/A	N/A	N/A											
NS	January 10, 2005	In-Store	N/A	N/A	N/A	160.00											
Halifax	January 4, 2005		N/A	N/A	N/A	#N/A											
NS (6)	January 10, 2005		N/A	N/A	N/A			306.70		297.50		1,100.00	N/A				

Source: Market Analysis Division, Agriculture and Agri-Food Canada; Thunder Bay prices are based on the Winnipeg Commodity Exchange (WCE) market close US\$1.00=CAN\$1.2341, closing date January 7, 2005
 Contact: Valerie Chartier A/Statistical Clerk Telephone: (204) 983-0581 Fax: (204) 983-5524 Email: chartier@agr.gc.ca N/A = not available

Footnote: All prices in Canadian dollars per metric tonne based on survey respondents.

Grain grades (unless otherwise specified) are: Western or Eastern Feed Wheat, Feed Oats, No.1 Canada Western or Eastern Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn, Soybean Meal 48 % Protein, Canola Meal based on minimum standard of 35% Protein, Fish Meal: white fish and/or herring meal, Gluten Meal 60% Protein, Gluten Feed 21% Protein.

(1) Wheat 3CWRS (2) Canadian Corn #3 or #2 (3) US Corn (4) Fish Meal from West Coast 63% Protein (5) Fish Meal 60% Protein (6) Herring Fish Meal (7) Fraser Valley (8) Wheat & Barley (Basis - Cash Price WCE) (9) Oats 3CW

B. CASH PRICES AND REPLACEMENT VALUES

January 10, 2005

PRAIRIE GRAINS

Selected Points	Price Basis		This week 10-Jan-05	Last week 29-Dec-04	Month ago 13-Dec-04	Year ago 12-Jan-04
From: Thunder Bay(WCE) (2)	In-Store	Wheat	103.00	101.00	100.00	161.00
(CBOT)		Oat	159.40	156.40	154.40	155.00
(Lethbridge)		Barley	113.00	112.00	112.50	129.00
To: Bayport, ON (1)	In-store	Wheat	126.61	124.61	123.61	184.61
		Oat	N/A	N/A	N/A	N/A
		Barley	140.39	139.39	139.89	156.39
Montreal, QC (1)	In-store	Wheat	131.03	129.03	128.03	189.03
		Oat	N/A	N/A	N/A	N/A
		Barley	145.31	144.31	144.81	161.31
Moncton, NB	Truck via Halifax	Wheat	153.25	151.25	150.25	211.25
		Oat	N/A	N/A	N/A	N/A
		Barley	169.50	168.50	169.00	185.50
Truro, NS	Truck via Halifax	Wheat	147.22	145.22	144.22	205.22
		Oat	N/A	N/A	N/A	N/A
		Barley	167.00	166.00	166.50	183.00
Halifax, NS (1)	In-store	Wheat	138.28	136.28	135.28	196.28
		Oat	N/A	N/A	N/A	N/A
		Barley	153.30	152.30	152.80	169.30
Stephenville, NL	Track / Truck via Sydney	Wheat	201.63	199.63	198.63	259.63
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A
Melfort, SK		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Bayport, ON		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Montreal, QC		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Moncton, NB		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Truro, NS		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track / Truck via Sydney	Barley	N/A	N/A	N/A	N/A
Stephenville, NL		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A
Selected Points	Price Basis		This week 10-Jan-05	Last week 29-Dec-04	Month ago 13-Dec-04	Year ago 12-Jan-04
Corn						
From: US Lake Port	On Board Vessel		98.99	105.31	105.03	126.41
To: Montreal, QC (1)	In-store		118.03	124.35	124.07	145.45
From: Chicago (IL)	Track		104.82	104.82	103.10	128.91
To: Montreal, QC	Track		133.68	133.68	131.96	157.77
From: Chatham, ON	Track		105.49	106.74	106.33	139.25
To: Montreal, QC	Track		129.36	130.61	130.20	163.12

Soymeal 48% Protein

From: Hamilton, ON			251.10	251.10	243.61	319.30
To: Montreal, QC	Track		275.43	275.43	267.94	343.63
Moncton, NB	Track		294.18	294.18	286.69	362.38
Truro, NS	Track		297.40	297.40	289.91	365.60
Stephenville, NL	Track / Truck via Sydney		346.03	346.03	338.54	414.23

- Prices include ONE month of storage and interest charges n/a = not available
- Thunder Bay prices are based on the Winnipeg Commodities Exchange market close (Cash price)

Source: Market Analysis Division, Agriculture and Agri-Food Canada

Contact: Valérie Chartier: A/Statistical Clerk (204) 983-0581 Fax: (204) 983-5524 e-mail: chartierv@agr.gc.ca

Footnotes: All prices quoted in Canadian dollars per metric tonne.

Grain grades (unless otherwise specified) are: Canada Western Feed Wheat, Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn.

Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec.

Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable

A. SELLING PRICE OF BULK FEED INGREDIENTS AT SELECTED POINTS

January 24, 2005

SELECTED POINT	REFERENCE PERIOD	PRICE BASIS	WHEAT ⁽¹⁾	OATS	BARLEY	CORN	PRICE BASIS	SOYBEAN MEAL	CANOLA MEAL	MILL FEEDS	MEAT MEAL	FISH MEAL	ANIMAL FAT	GLUTEN MEAL	GLUTEN FEED	FEED PENS	DEHY ALFALFA	FEATHER MEAL
Vancouver	January 24, 2005	FOB	122.00	N/A	125.00	142.00		264.00	151.00	115.00		850.00	500.00					335.00
BC	(4) (7) January 17, 2005	FOB	122.00	N/A	125.00	140.00		262.00	151.00	117.00		850.00	500.00					335.00
Calgary	January 24, 2005	FOB	104.00	N/A	112.00	140.00		266.50	165.00	165.00	975.00	535.00	535.00					310.00
AB	(4) January 17, 2005	FOB	104.00	N/A	112.00	138.00		266.50	165.00	165.00	975.00	535.00	535.00					300.00
Saskatoon	January 24, 2005	FOB	85.00	134.50	92.00	130.00		264.00	N/A		180.00	N/A	535.00			118.33		360.00
SK	(4) January 17, 2005	FOB	83.50	131.00	93.00	133.00		269.00	N/A		180.00	N/A	535.00			117.00		360.00
Winnipeg	January 24, 2005	FOB	129.00	140.00	111.00	115.00		242.00	N/A	290.00	1007.50	515.00	515.00					340.00
MB	(4) (9) January 17, 2005	FOB	126.50	140.00	110.00	116.00		248.50	N/A	290.00	1012.50	515.00	515.00					350.00
Thunder Bay	January 24, 2005	In-Store	103.00	N/A	107.85													
ON	(8) January 17, 2005	In-Store	103.00	N/A	108.80													
Lake Ports	January 24, 2005	On Board				94.23												
USA	(3) January 17, 2005	Vessel				93.34												
Bay Ports	January 24, 2005	In-Store	135.00	205.00	140.00													
ON	January 17, 2005		134.00	205.00	150.00													
Chatham	January 24, 2005	Track				102.13												
ON	January 17, 2005					102.21												
Toronto	January 24, 2005	N/A					FOB				179.00	N/A	420.00	425.00	114.00		265.00	305.00
ON	(5) January 17, 2005	N/A									168.00	N/A	440.00	425.00	114.00		265.00	300.00
Hamilton	January 24, 2005	N/A						243.39	N/A									
ON	January 17, 2005							237.88	N/A									
Eastern	January 24, 2005	FOB				101.75												
ON	January 17, 2005					107.50												
London	January 24, 2005	FOB												425.00	114.00			
ON	January 17, 2005													425.00	114.00			
Port Colborne	January 24, 2005	FOB								52.50				425.00	114.00			
ON	January 17, 2005									62.50				425.00	114.00			
Cardinal	January 24, 2005	FOB												425.00	114.00			
ON	January 17, 2005													425.00	114.00			
Montreal	January 24, 2005		133.00	150.00	144.00	124.00		255.68	172.73	69.00	179.00	850.00	424.00	425.00	114.00		270.00	310.00
QC	(5) January 17, 2005		133.00	150.00	146.00	124.00	FOB	252.53	172.33	74.00	168.00	850.00	424.00	425.00	114.00		270.00	310.00
Trois-Rivières	January 24, 2005	In-Store	134.10		142.70	129.91												
QC	January 17, 2005		134.10		144.60	130.01												
St. Jean QC	(2) January 24, 2005	FOB	146.92	124.48	145.70	115.75		242.10										
St. Hyacinthe QC	January 17, 2005		143.97	123.20	145.23	116.78		247.83										
Quebec	January 24, 2005	In-Store	131.70	N/A	160.81	118.31		248.03										
QC	January 17, 2005		131.03	N/A	161.90	118.35		248.71										
Truro	January 24, 2005	Track	157.86		161.49	164.03		283.48	201.10	229.05			505.00					310.00
NS	January 17, 2005		155.86		166.48	165.48	FOB	283.93	203.63	223.55			505.00					310.00
Truro	January 24, 2005	Water	N/A	N/A	N/A	N/A												
NS	January 17, 2005	& Truck	N/A	N/A	N/A	N/A												
Halifax	January 24, 2005	In-Store	N/A	N/A	N/A	161.05		315.00		297.50			1,100.00					
NS	(6) January 17, 2005		N/A	N/A	N/A	#N/A		307.50		297.50			1,100.00					

Source: Market Analysis Division, Agriculture and Agri-Food Canada; Thunder Bay prices are based on the Winnipeg Commodity Exchange (WCE) market close US\$1.00—CANS12212, closing date January 21, 2005
 Contact: Valerie Charter A/Statistical Clerk Telephone: (204) 983-0581 Fax: (204) 983-5524 Email: charterv@agr.gc.ca N/A = not available

Footnotes: All prices in Canadian dollars per metric tonne based on survey respondents.

Grain grades (unless otherwise specified) are: Western or Eastern Feed Wheat, Feed Oats, No. 1 Canada Western or Eastern Barley, No. 2 Canada Yellow Corn, No. 3 US Yellow Corn, Soybean Meal 48 % Protein, Canola Meal based on minimum standard of 35% Protein, Fish Meal: white fish and/or herring meal, Gluten Meal 60% Protein, Gluten Feed 21% Protein.

(1) Wheat 3CWRS (2) Canadian Corn #3 or #2 (3) US Corn (4) Fish Meal from West Coast 63% Protein (5) Fish Meal 60% Protein (6) Herring Fish Meal (7) Fraser Valley (8) Wheat & Barley (Basis - Cash Price WCE) (9) Oats 3CW

B. CASH PRICES AND REPLACEMENT VALUES

January 24, 2005

PRAIRIE GRAINS

Selected Points	Price Basis		This week 24-Jan-05	Last week 10-Jan-05	Month ago 29-Dec-04	Year ago 26-Jan-04
From: Thunder Bay(WCE) (2)	In-Store	Wheat	103.00	103.00	101.00	160.00
(CBOT)		Oat	170.00	159.40	156.40	158.25
(Lethbridge)		Barley	112.00	113.00	112.00	126.00
To: Bayport, ON (1)	In-store	Wheat	126.61	126.61	124.61	183.61
		Oat	N/A	N/A	N/A	N/A
		Barley	139.39	140.39	139.39	153.39
Montreal, QC (1)	In-store	Wheat	131.03	131.03	129.03	188.03
		Oat	N/A	N/A	N/A	N/A
		Barley	144.31	145.31	144.31	158.31
Moncton, NB	Truck via Halifax	Wheat	153.25	153.25	151.25	210.25
		Oat	N/A	N/A	N/A	N/A
		Barley	168.50	169.50	168.50	182.50
Truro, NS	Truck via Halifax	Wheat	147.22	147.22	145.22	204.22
		Oat	N/A	N/A	N/A	N/A
		Barley	166.00	167.00	166.00	180.00
Halifax, NS (1)	In-store	Wheat	138.28	138.28	136.28	195.28
		Oat	N/A	N/A	N/A	N/A
		Barley	152.30	153.30	152.30	166.30
Stephenville, NL	Track / Truck via Sydney	Wheat	201.63	201.63	199.63	258.63
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A
Melfort, SK		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Bayport, ON		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Montreal, QC		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Moncton, NB		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Truro, NS		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track / Truck via Sydney	Barley	N/A	N/A	N/A	N/A
Stephenville, NL		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A

Selected Points	Price Basis		This week 24-Jan-05	Last week 10-Jan-05	Month ago 29-Dec-04	Year ago 26-Jan-04
Corn						
From: US Lake Port	On Board Vessel		94.23	98.99	105.31	144.09
To: Montreal, QC (1)	In-store		113.27	118.03	124.35	163.13
From: Chicago (IL)	Track		99.04	104.82	104.82	143.06
To: Montreal, QC	Track		127.90	133.68	133.63	171.92
From: Chatham, ON	Track		102.13	105.49	106.74	152.39
To: Montreal, QC	Track		126.00	129.36	130.61	176.26

Soymeal 48% Protein						
From: Hamilton, ON			243.39	251.10	251.10	358.30
To: Montreal, QC	Track		267.72	275.43	275.43	382.63
Moncton, NB	Track		286.47	294.18	294.18	401.38
Truro, NS	Track		289.69	297.40	297.40	404.60
Stephenville, NL	Track / Truck via Sydney		338.32	346.03	346.03	453.23

- Prices include ONE month of storage and interest charges
- Thunder Bay prices are based on the Winnipeg Commodities Exchange market close (Cash price)

Source: Market Analysis Division, Agriculture and Agri-Food Canada

Contact: Valérie Chartier: A/Statistical Clerk (204) 983-0581 Fax: (204) 983-5524 e-mail: chartierv@agr.gc.ca

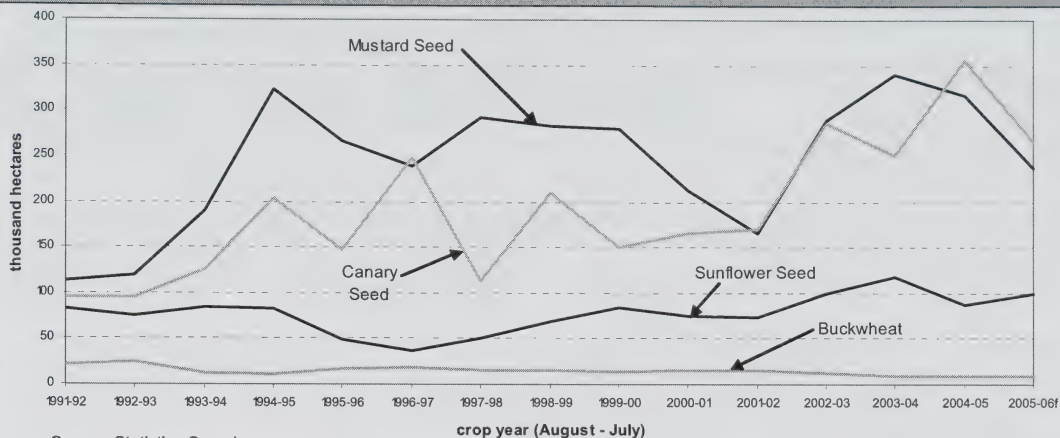
Footnotes: All prices quoted in Canadian dollars per metric tonne.

Grain grades (unless otherwise specified) are: Canada Western Feed Wheat, Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn.

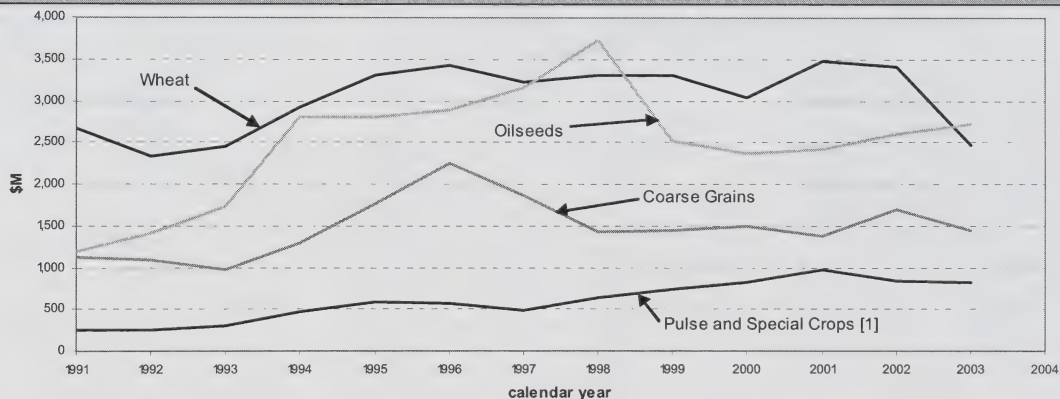
Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec.

Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable

CANADA: SPECIAL CROPS SEEDING AREA



CANADA: FARM CASH RECEIPTS



CANADA: PULSE AND SPECIAL CROPS SEEDING AREA DISTRIBUTION BY PROVINCE IN 2004-2005

	British Columbia	Alberta	Saskatchewan	Manitoba	Ontario	Quebec	Atlantic Provinces
.....percent.....							
Dry Peas	*	20	75	4	*	*	*
Lentils		1	99	*			
Dry Beans		12	2	50	31	5	*
Chickpeas		13	87				
Mustard Seed		17	82	1	*		
Canary Seed		1	96	3			
Sunflower Seed	*	2	18	79	*	*	*
Buckwheat	*	*	1	73	21	5	*

*minor area

Source: Statistics Canada and AAFC

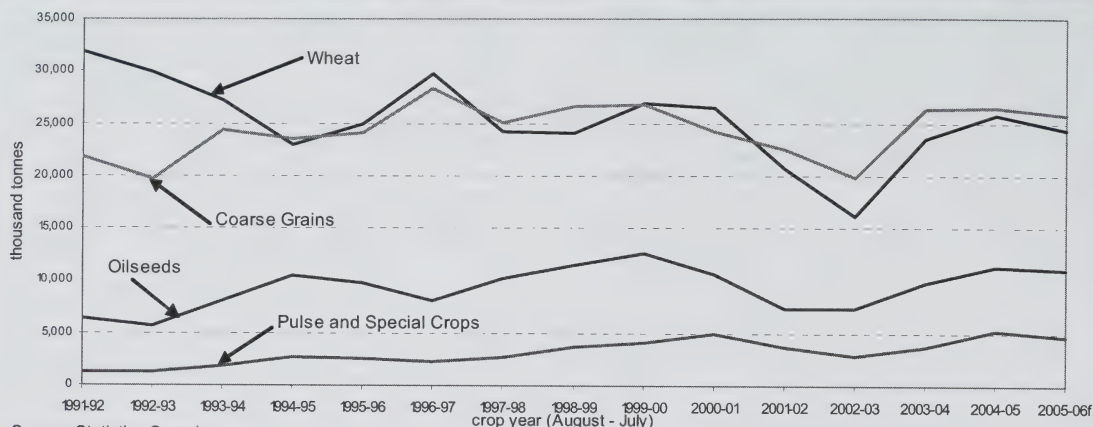
CANADA: PULSE AND SPECIAL CROPS PRODUCTION AND EXPORTS SHARE OF WORLD

	Approximate Canadian Share of World	
	Production	Exports
2004-05 crop year	percent.....	percent.....
Canary Seed	88	90
Mustard Seed	10	60
Dry Peas	27	60
Lentils	25	55
Dry Beans	1	8
Buckwheat	*	5
Chickpeas	*	4
Sunflower Seed	*	2

* less than 1%

Source: AAFC forecast, January 2005

CANADA: GRAINS, OILSEEDS, AND PULSE AND SPECIAL CROPS PRODUCTION



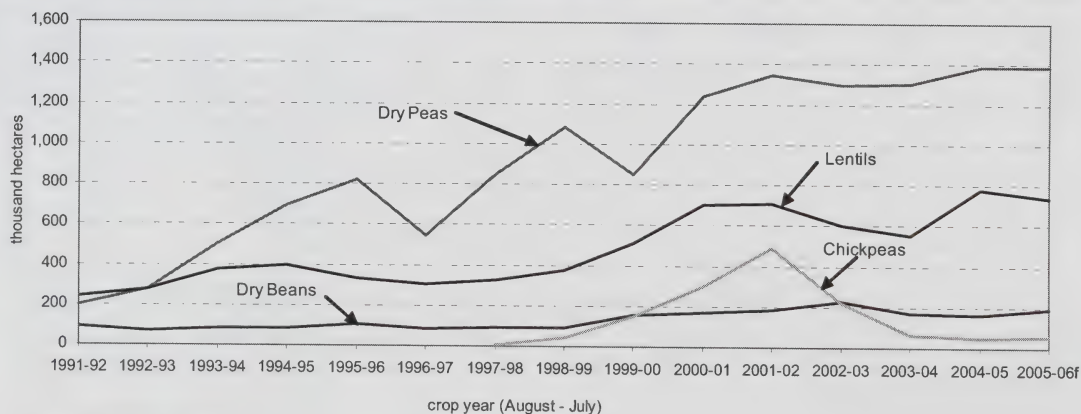
CANADA: PRODUCTION AND VALUE OF EXPORTS - MAJOR PULSE AND SPECIAL CROPS

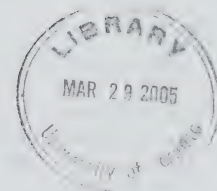
	Dry Peas	Lentils	Dry Beans	Chickpeas	Mustard Seed	Canary Seed	Sunflower Seed	Buckwheat	Total	Value of Exports* M\$
	thousand tonnes.....									
1991-92	410	343	136		121	100	134	23	1,267	317
1992-93	505	349	73		133	124	65	11	1,260	346
1993-94	970	349	131		216	128	79	8	1,881	473
1994-95	1,441	450	171		319	240	117	12	2,750	661
1995-96	1,455	432	203	1	244	155	66	21	2,577	781
1996-97	1,169	403	133	4	231	285	55	22	2,302	690
1997-98	1,747	379	164	15	243	115	65	17	2,745	782
1998-99	2,337	480	189	53	239	235	112	15	3,660	955
1999-00	2,252	724	294	197	306	166	122	13	4,074	1,011
2000-01	2,864	914	268	388	202	171	119	14	4,940	1,152
2001-02	2,023	566	298	455	105	114	104	16	3,681	1,145
2002-03	1,365	354	414	156	154	176	157	12	2,788	916
2003-04	2,124	520	356	68	226	226	150	10	3,680	1,021
2004-05	3,338	961	220	51	305	300	54	5	5,234	1,050f
2005-06f	2,875	840	340	60	185	245	140	9	4,694	1,100f

f: AAFC forecast, January 2005

Source: Statistics Canada

CANADA: PULSE CROPS SEEDING AREA





Bi-weekly Bulletin

January 28, 2005 Volume 18 Number 2

CANADIAN PULSE AND SPECIAL CROPS INDUSTRY: SITUATION AND OUTLOOK

Canadian pulse and special crops production more than quadrupled since 1991-1992 as producers diversified into alternative crops to improve their income. The increased production resulted in an expansion of the pulse and special crops handling, marketing and processing industry. This generated increased employment and secondary benefits, especially for the rural areas of Canada, where most of the expansion took place. This issue of the *Bi-weekly Bulletin* examines the situation and outlook for the Canadian pulse and special crops industry.

PRODUCTION

Types of Pulse and Special Crops Produced

Canadian pulse and special crop production is very diversified with more than twenty crops produced. The term *pulse crops* refers to dry peas, lentils, dry beans, chickpeas and fababeans. Special crops include mustard seed, canary seed, sunflower seed, buckwheat, caraway seed, coriander seed, borage seed, safflower seed, millet and hemp.

This article concentrates on the four largest pulse crops, dry peas, lentils, dry beans and chickpeas, and the four largest special crops, mustard seed, canary seed, sunflower seed and buckwheat, produced in Canada. Canadian pulse and special crop production is concentrated in Alberta, Saskatchewan, Manitoba and Ontario. Production of dry peas, lentils, chickpeas, mustard seed, and canary seed is concentrated in Saskatchewan, whereas production of sunflower seed and buckwheat is concentrated in Manitoba. Dry bean production is mostly located in Manitoba, Ontario and Alberta.

Within the major crop categories, there are several types produced, including the following: **dry peas** - yellow, green, small yellow, maple, marrowfat; **lentils** - large green, medium green, small green, red, dark green speckled, brown; **dry beans** - white pea, pinto, black, dark red kidney, light red

kidney, white kidney, cranberry, small red, Great Northern, pink, brown, azuki; **chickpeas** - large kabuli, small kabuli, desi; **mustard seed** - yellow, oriental, brown; **sunflower seed** - confectionery, oilseed; **canary seed/Canario**. Canario is a glabrous or hairless type of canary seed developed in Canada.

Growth in Pulse and Special Crops Seeded Area and Production

Canadian seeded area for the eight major pulse and special crops increased by 256% from 0.93 million hectares (Mha) in 1991-1992 to 3.31 Mha in 2004-2005. During this period, total pulse crops seeded area increased by 311% from 0.62 Mha to 2.54 Mha and total special crops seeded area increased by 146% from 0.31 Mha to 0.77 Mha.

Canadian production of the eight major pulse and special crops increased by 313% from 1.27 Mt (million tonnes) in 1991-1992 to 5.23 Mt in 2004-2005. Although production trended upwards, there were some years of lower production caused mainly by unfavourable weather. During the 1991-1992 to 2004-2005 period, wheat production decreased by 19%, coarse grains production increased by 21%, and oilseeds production increased by 79%. Pulse and special crops share of the total Canadian grains, oilseeds, and pulse and special crops production increased from 2% in 1991-1992 to 8% in 2004-2005. Dry peas accounted for most of the growth in production, increasing by 714% between 1991-1992 and 2004-2005, while lentil production increased by 180%.

Agronomic Limitations and Benefits of Pulse and Special Crops Production

Production of the various crops is limited by climatic and soil conditions. Crops such as dry beans and chickpeas require longer frost free periods and more heat than crops such as dry peas and mustard seed. Crops such as dry beans need adequate moisture later in the summer than shorter season crops. Crops such as lentils and chickpeas do not tolerate excessive moisture. Therefore they are best suited to the brown and dark brown soil zones in Saskatchewan and Alberta. A further limitation for some crops is the limited availability of products for weed control.

Pulse and special crops fit well in rotations with other crops. Their production increase has proven to be valuable in crop rotations which help to control weeds, diseases and insects, and improve soil texture and fertility. Pulse crops, when properly inoculated, are able to fix a large portion of their nitrogen requirements. The nitrogen fixed by pulse crops, which is not removed with the harvesting of the seed, is also available for use by other crops the following year. Growing pulse crops in a rotation can result in yield increases for following crops. However, the nitrogen fixing ability of pulse crops varies, with fababeans and dry peas having the highest ability and dry beans the lowest.

MARKETING

At the world level, Canada is the largest producer of canary seed and dry peas and the

largest exporter of dry peas, lentils, mustard seed and canary seed.

Marketing Methods

In Canada, there are approximately 100 dealers buying pulse and special crops from producers, ranging from small family-owned businesses to large companies. Since many dealers have more than one location, the total number of plants receiving at least some pulse and special crops is in excess of 300.

There are no futures contracts available for pulse and special crops in Canada. Production contracts are available before seeding which normally guarantee a price for part of the production. Deferred delivery or forward pricing contracts are available for most pulse and special crops, under which a producer can lock-in a price for future delivery. The remainder is sold at spot prices at the time of delivery. There are also several voluntary marketing pools. A more recent innovation in the marketing of pulse and special crops has been trading on the Internet where bid and ask prices, delivery locations and time frames for delivery are posted. The buyer and seller then negotiate final conditions before the sale is completed.

Price Determination

An important factor in price determination to the producer is the cost of freight to domestic and export markets, since the price paid to the producer depends on the price received by the dealer, less freight and handling charges. Since the majority of Canadian pulse and special crops are exported, Canadian prices are dependent on the value of the Canadian dollar and world supply and demand. For feed peas, the price is also influenced by the prices of alternative sources of protein meal and feed grain. Regional supply and demand considerations also affect the price received by the producer.

Handling and Transportation

Pulse and special crops are delivered by the producer to the plant or the dealer sends a truck to load the seed at the farm. The plants are normally designed to handle one or more kinds of crops. In some cases, such as for feed peas, grain elevators also accept deliveries. Deliveries are made throughout the year based on spot prices or conditions set under production or deferred delivery contracts.

Transportation from the dealer's plant to the customer in the same region is generally by truck. Railways are used extensively for shipments to customers in North America and for shipments to ports for overseas customers. Feed peas, sunflower seed and some food peas, lentils, chickpeas, canary seed and mustard seed are shipped bulk in railcars, but the rest are mostly shipped in containers. The containers can be filled bulk or with seed packed in bags. The containers are trucked to the railway's closest container terminal. They are then transported by rail directly to the customer, if located in North America, or to container terminals located at ports, for overseas shipments. Containers can also be trucked to the appropriate port terminal for loading on ships. Some crops are shipped to ports in bags loaded in rail box cars or in trucks, bulk in hopper cars, or in intermodal domestic containers. They are then transloaded into ocean-going containers at ports.

Facilities have been developed at the port of Vancouver for the soft handling of bulk dry peas, lentils and chickpeas. Canadian pulse and special crops are normally shipped through Canadian ports along the west coast, Vancouver and Prince Rupert, Thunder Bay, Montreal and other ports along the St. Lawrence Seaway, and through the northern port of Churchill on Hudson Bay.

Domestic Use

The largest domestic use of pulse and special crops is for livestock feed. About 90% of the domestic use of dry peas is for livestock feed, mainly in the Prairie provinces and mainly for feeding hogs. In addition, some low quality lentils, chickpeas, fababeans and dry beans are also fed to livestock. Another significant use is for bird seed. Canary seed is the main crop used for this purpose, along with some sunflower seed, safflower seed, dry peas, buckwheat and millet. The food market consumes a small but significant portion of pulse crops, mustard seed, sunflower seed and buckwheat. An additional domestic use is as seed for planting.

Exports

Canada exports pulse and special crops throughout the world. About half of the dry pea exports are for livestock feed and half for food. Canary seed is exported for bird seed. The remainder of the pulse and special crops are exported for food. Dry peas are exported mainly to Europe (largely for livestock feed) and to Asia (principally for food), although North and South America are also important destinations. Lentils are exported mainly to Europe, the Middle East, northern Africa, and North and South America.

Dry beans are exported largely to Europe and North and South America. Most chickpeas are exported to the Indian sub-continent, with the balance going to Europe, the Middle East, northern Africa and North and South America. Exports of mustard seed are primarily to Europe, Asia, and the US. Canary seed exports are largely to Europe and North and South America. Sunflower seeds are exported mainly to the US, with the balance going mainly to Europe, the Middle East and central America. Buckwheat is exported primarily to Japan, the US, and Europe. There are also exports of products processed from special crops, such as bird seed mixtures and roasted sunflower seeds, and pulse and special crops seed for planting.

Canadian export earnings from the eight major pulse and special crops increased rapidly from \$0.3 billion in 1991-1992 to a peak of \$1.15 billion in 2000-2001 and 2002-2003. Since then, the value of exports has stabilized at about \$1 billion per year.

Canadian Grain Commission (CGC)

The CGC establishes quality standards for the following Canadian pulse and special crops: dry peas, lentils, dry beans, chickpeas, fababeans, mustard seed, sunflower seed, buckwheat and safflower seed. Additionally, the CGC grades and certifies export shipments. For canary seed, the CGC does not set grading standards, but analyses samples for dockage.

The CGC also issues licenses for grain companies, although not all pulse and special crops dealers are licensed by the CGC. Grain companies licensed by the CGC are required to provide security, in the form of a bond or letter of credit, to the CGC to cover their liabilities to producers in the case of financial failure. The CGC fixes the amount of security to be provided based on the liability of the grain company to eligible producers. Producers are not charged directly to cover these costs, but it is reasonable to assume that the cost is passed on by the grain companies to producers. Western Canadian producers selling pulse and special crops which are covered under the Canada Grain Act are eligible for compensation from the security, if the grain company runs into financial problems, up to the value of the bond.

Pulse and special crops covered under the Canada Grain Act are: dry peas, lentils, dry

beans, chickpeas, fababeans, mustard seed, sunflower seed, buckwheat and safflower seed.

For further information on grain company licensing, or to access the Official Grain Grading Guide, please visit the CGC website: www.grainscanada.gc.ca

PROCESSING

The Canadian pulse and special crops processing industry is very diversified and located throughout most regions of Canada. Primary processing involves receiving, cleaning and quality sorting of seed. Secondary processing involves preparing seed for use by the consumer and normally secondary processing occurs in a different plant from primary processing.

The largest secondary processor is the livestock feed industry, which consumes an increasing volume of dry peas, as well as some lentils, chickpeas and fababeans, mainly in the Prairie provinces. One use of dry peas in livestock feed is a mixture of two-thirds ground peas and one-third canola meal. Although canola meal is an excellent source of protein, it is low in digestible energy. Peas have high energy digestibility, and the amino acid profile of peas, which is high in lysine, complements the amino acid profile of canola meal, which is high in methionine and cystine. These amino acids are essential in diets for good growth. Another feed product is an extruded blend of ground dry peas and canola seed. In addition to the two ingredients complementing each other, the high oil content from the canola seed is a readily available source of energy.

The bird seed industry uses canary seed, as well as sunflower seed, safflower seed, millet, buckwheat and dry peas in feed mixtures for pet and wild birds.

Secondary processing includes the splitting of dry peas, lentils and chickpeas; as well as canning, dry packaging, and the production of soup mixes, dehydrated products, gluten free flour, precooked and individually quick frozen products, soups, stews, and snack food. Dry peas and beans are also processed into components such as pea fibre, flour, starch and protein concentrate. Additional products of dry beans are refried beans and bean paste. Mustard seed is

processed into flour and condiments. Confectionery sunflower seeds are used extensively for snack food, such as roasted seeds, and dehulled for use in baking. Buckwheat is milled into flour, groats and grits which are then used for baking, noodles, hot breakfast cereal or pancake mixes.

ECONOMIC IMPACT

Adaptation and diversification into pulse and special crops production has provided producers with a potentially higher priced alternative to traditional cereal grain crops and allowed them to spread risk over a greater number of crops to improve their earnings. Producers have become capable growers of pulse and special crops, allowing them to diversify even more when new markets arise. An additional benefit has been, via alternative crop rotation patterns, improvements in weed, insect and disease control and the resulting savings in input costs. Also, nitrogen fertilizer costs have been reduced in pulse crops production.

Farm cash receipts for pulse and special crops increased by 223% from 1991 to \$0.83 billion in 2003, while receipts fell by 7% to \$2.47 billion for wheat, increased by 27% to \$1.44 billion for coarse grains and increased by 129% to \$2.72 billion for oilseeds. However, the receipts for pulse and special crops are only for the seven largest crops and the total receipts would have been higher if all pulse and special crops were included.

The increase in production has also benefited the general economy through the handling, processing, and transportation industries, mostly in rural communities. Direct employment by pulse and special crops dealers is estimated at about 2,500 employees. In addition, pulse and special crops contribute to employment in grain elevators, in transportation, transloading, port terminals, manufacturing of bags and other containers, in secondary processing, in manufacturing of inputs and inoculants for pulse crops, and with suppliers of seed for planting.

2005-2006 OUTLOOK

Canadian production of the eight major pulse and special crops is expected to decrease in 2005-2006 due to a decrease in seeded area and lower trend yields for most crops. For further information and periodic updates please check "Canada: Pulse and Special Crops Outlook" at www.agr.gc.ca/mad-dam/

LONGER TERM OUTLOOK

Production and Use

Canadian seeded area and production of pulse and special crops is expected to continue trending upwards moderately during the next decade because of improved varieties resulting in higher yields, increased seeded area because of the willingness of producers to continue diversifying out of grains in the Prairie provinces, and increasing demand in Canadian and world markets. The level of the increase will depend on returns from pulse and special crops relative to grains and oilseeds, moisture conditions, carry-in stocks, crop rotation considerations and the producers' ability to diversify. Most of the growth is expected to be in Saskatchewan, due to its large land base and the continuing development of varieties suitable for production in that province. Most of the production growth is expected to result from increased seeded area, but average yields are also expected to continue trending upwards.

The US Farm Security and Rural Investment Act of 2002 (FSRIA) included dry peas, lentils and small chickpeas under the loan program for the first time. Since then, US production of dry peas and lentils increased sharply which increased competition for Canadian dry peas and lentils in world markets and pressured Canadian prices. If US production continues to increase, it will further increase competition for Canadian dry peas and lentils, and pressure Canadian prices. Lower Canadian prices would limit the expected upward trend in Canadian production.

The future trends for the ten years following 2005-2006 for specific crops in Canada are as follows:

Dry peas - Production is expected to trend upwards moderately due to increased demand in both feed and food sectors, the development of improved varieties and their fit in rotations with other crops. Canada is expected to continue to be the largest producer and exporter of dry peas in the world. New export markets for feed peas are expected to be developed, especially in eastern Asia.

Lentils - Production is expected to trend upwards moderately with increased world demand, a large area of land suitable for lentil production in the Prairie provinces, especially in Saskatchewan, and the development of

improved varieties, as well as agronomic improvements. Canada is expected to become the largest producer of lentils in the world and to continue to be the largest exporter.

Dry beans - Production is expected to trend upwards moderately, with most of the growth in Manitoba and Saskatchewan. Saskatchewan is expected to become one of the main dry bean producing provinces, as shorter season varieties become available. The growth is expected to be mainly for the coloured types. Canada's share of world exports is expected to increase, in line with the increased production.

Chickpeas - Production is expected to trend upwards, but the growth in production will depend on the development of shorter season and more disease resistant varieties, which will enable the crop to be grown over a larger area and reduce production risk. Canada is expected to increase its share of world chickpea production and exports.

Mustard seed - Production is expected to increase slowly because the market is limited, but Canada is expected to continue to be the largest exporter.

Canary seed/Canario - Production is expected to increase slowly, unless other uses are developed which increase demand. Research is underway to develop markets for Canario as a human food and for industrial uses, such as cosmetics. If the research efforts are successful, the demand for canary seed will increase faster and lead to larger growth in production.

Sunflower seed - Production of confectionery seed is expected to grow moderately in line with the growth in demand. Oilseed sunflower production is also expected to grow, but the rate of growth will depend on the price for vegetable oil, as well as the growth in demand for bird seed. An additional factor is the growth in demand for NuSun, a mid-oleic sunflower seed, which has a low saturated fat profile. NuSun production has been expanding in the U.S. because of a strong demand for NuSun oil. A continuing strong increase in demand for NuSun oil and attractive prices would result in a faster increase in Canadian oilseed

sunflower production and possibly a return to sunflower seed crushing in Canada.

Buckwheat - Production is expected to grow slowly until new higher yielding and more frost tolerant varieties are commercially available. This development is expected to encourage larger production. Research is underway to develop uses for buckwheat in the pharmaceutical and nutraceutical industries, which is expected to increase the demand for buckwheat.

Other - Production of smaller area special crops such as spices, herbs, spelt, kamut, quinoa and hemp is also expected to increase over the next decade. However, the market for these crops can be oversupplied very quickly. Therefore, they will be important crops to some producers, but the total seeded area is not expected to become large.

Processing

The primary processing industry for pulse and special crops is expected to grow slowly due to the rapid expansion in the late 1990's and early 2000's. The primary processing sector is undergoing consolidation in Saskatchewan due to the rapid growth and lower crop production during 2001-2002 to 2003-2004 caused by unfavourable weather.

The secondary processing sector for pulse and special crops is expected to grow faster than the primary processing sector, as it is not as well developed as the primary sector. Increased secondary processing is expected in all areas, food, feed, bird seed and industrial. The secondary processing sector is expected to become more diversified, with a larger range of products produced. Increased secondary processing is expected to increase domestic consumption and increase exports of semi-processed and consumer ready products.

Identity preservation

In the production and primary processing sectors, identity preservation and traceability for shipments is expected to increase in response to consumer demand.

Research

Research is continuing to develop better varieties, and improve disease, weed and insect control. Research on developing new products from pulse and special crops is also continuing. This includes research on feeding to livestock,

the pharmaceutical and nutraceutical potential, and food and industrial uses. Researchers and industry representatives are in the process of developing international standards for the identification and testing of pulse crops. Testing methods are being developed for such traits as colour, texture, taste, cooking time and splitting and milling ability.

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A. SELLING PRICE OF BULK FEED INGREDIENTS AT SELECTED POINTS

SELECTED POINT	REFERENCE PERIOD	PRICE BASIS	(1)										December 29, 2004									
			WHEAT	OATS	BARLEY	CORN	PRICE BASIS	SOYBEAN MEAL	CANOLA MEAL	MILL FEEDS	MEAT MEAL	FISH MEAL	ANIMAL FAT	GLUTEN MEAL	GLUTEN FEED	FEED PEAS	DEHY ALFALFA	FEATHER MEAL				
Vancouver	December 29, 2004	FOB	122.00	N/A	125.00	144.00		261.00	165.00	112.00			500.00					325.00				
BC (4) (7)	December 20, 2004	FOB	122.00	N/A	125.00	145.50		262.00	162.50	112.00			500.00					325.00				
Calgary	December 29, 2004	FOB	104.00	N/A	110.00	140.00		260.50			125.00	975.00	535.00					300.00				
AB (4)	December 20, 2004	FOB	104.00	N/A	110.00	140.00		268.00			125.00	975.00	535.00					300.00				
Saskatoon	December 29, 2004	FOB	83.50	123.00	93.50	135.00		265.00	N/A		140.00	N/A	535.00					350.00				
SK (4)	December 20, 2004	FOB	83.50	123.00	93.50	135.00		266.50	N/A		140.00	N/A	535.00					350.00				
Winnipeg	December 29, 2004	FOB	126.50	140.00	110.00	117.00		243.50	N/A		290.00	972.50	515.00					315.00				
MB (4) (9)	December 20, 2004	FOB	128.50	140.00	111.00	117.00		245.00	N/A		290.00	972.50	515.00					315.00				
Thunder Bay	December 29, 2004	In-Store	103.00	N/A	109.95																	
ON (8)	December 20, 2004	In-Store	101.00	N/A	109.95																	
Lake Ports	December 29, 2004	On Board				105.03																
USA (3)	December 20, 2004	Vessel				103.82																
Bay Ports	December 29, 2004	In-Store	132.00	205.00	150.00																	
ON	December 20, 2004	Track	132.00	205.00	150.00																	
Chatham	December 29, 2004					106.33																
ON	December 20, 2004					104.38																
Toronto	December 29, 2004	N/A					FOB				168.00	N/A	460.00	425.00	114.00		265.00	300.00				
ON (5)	December 20, 2004	N/A						243.61	#N/A		168.00	N/A	460.00	425.00	114.00		285.00	300.00				
Hamilton	December 29, 2004							242.29	#N/A													
ON	December 20, 2004																					
Eastern	December 29, 2004	FOB				102.50																
ON	December 20, 2004	FOB				101.00																
London	December 29, 2004	FOB																				
ON	December 20, 2004	FOB																				
Port Colborne	December 29, 2004	FOB																				
ON	December 20, 2004	FOB																				
Cardinal	December 29, 2004	FOB																				
ON	December 20, 2004	FOB																				
Montreal	December 29, 2004		133.00	150.00	149.00	128.00		251.83	176.25	93.67	168.00	850.00	419.00	425.00	114.00		270.00	310.00				
QC (5)	December 20, 2004		133.00	125.00	150.00	128.00	FOB	252.70	176.13	96.67	168.00	850.00	413.00	425.00	114.00		270.00	310.00				
Trois-Rivières	December 29, 2004	In-Store	133.50		147.90	105.11																
QC	December 20, 2004		133.50		149.90	131.69																
St. Jean QC (2)	December 29, 2004	FOB	153.57	122.89	144.35	124.41		253.14														
St. Hyacinthe QC	December 29, 2004		150.57	122.40	147.91	122.69		251.19														
Quebec	December 29, 2004	In-Store	132.50	N/A	163.88	120.70		250.72														
QC	December 20, 2004		130.83	N/A	164.63	120.37		251.11														
Truro	December 29, 2004	Track	156.19		166.48	166.59		279.81	203.63		223.55		505.00					310.00				
NS	December 20, 2004		156.19		166.48	166.59		280.86	203.63		223.55		505.00					310.00				
Truro	December 29, 2004	Water	N/A	N/A	N/A	N/A																
NS	December 20, 2004		N/A	N/A	N/A	N/A																
Halifax	December 29, 2004	& Truck	N/A	N/A	N/A	N/A																
NS	December 20, 2004	In-Store	N/A	N/A	N/A	N/A		303.00					1,100.00	N/A								
NS	December 20, 2004		N/A	N/A	N/A	N/A		306.70					1,100.00	N/A								

Source: Market Analysis Division, Agriculture and Agri-Food Canada. Thunder Bay prices are based on the Winnipeg Commodity Exchange (WCE) market close
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 N/A = not available

Footnotes: All prices in Canadian dollars per metric tonne based on survey respondents.

Grain grades (unless otherwise specified) are: Western or Eastern Feed Wheat, Feed Oats, No.1 Canada Western or Eastern Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn, Soybean Meal 48 % Protein, Canola Meal based on minimum standard of 35% Protein, Fish Meal: white fish and/or herring meal, Gluten Meal 60% Protein, Gluten Feed 21% Protein.

(1) Wheat 3CWRS (2) Canadian Corn #3 or #2 (3) US Corn (4) Fish Meal from West Coast 63% Protein (5) Fish Meal 60% Protein (6) Herring Fish Meal (7) Fraser Valley (8) Wheat & Barley (Basis - Cash Price WCE) (9) Oats 3CW

B. CASH PRICES AND REPLACEMENT VALUES

December 29, 2004

PRAIRIE GRAINS

Selected Points	Price Basis		This week 29-Dec-04	Last week 13-Dec-04	Month ago 29-Nov-04	Year ago 29-Dec-03
From: Thunder Bay(WCE) (2)	In-Store	Wheat	101.00	100.00	82.20	159.80
(CBOT)		Oat	156.40	154.40	149.60	143.50
(Lethbridge)		Barley	112.00	112.50	114.00	130.00
To: Bayport, ON (1)	In-store	Wheat	124.61	123.61	105.81	183.41
		Oat	N/A	N/A	N/A	N/A
		Barley	139.39	139.89	141.39	157.39
Montreal, QC (1)	In-store	Wheat	129.03	128.03	110.23	187.83
		Oat	N/A	N/A	N/A	N/A
		Barley	144.31	144.81	146.31	162.31
Moncton, NB	Truck via Halifax	Wheat	151.25	150.25	132.45	210.05
		Oat	N/A	N/A	N/A	N/A
		Barley	168.50	169.00	170.50	186.50
Truro, NS	Truck via Halifax	Wheat	145.22	144.22	126.42	204.02
		Oat	N/A	N/A	N/A	N/A
		Barley	166.00	166.50	168.00	184.00
Halifax, NS (1)	In-store	Wheat	136.28	135.28	117.48	195.08
		Oat	N/A	N/A	N/A	N/A
		Barley	152.30	152.80	154.30	170.30
Stephenville, NL	Track / Truck via Sydney	Wheat	199.63	198.63	180.83	258.43
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A
Melfort, SK		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Bayport, ON		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Montreal, QC		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Moncton, NB		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Truro, NS		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track / Truck via Sydney	Barley	N/A	N/A	N/A	N/A
Stephenville, NL		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A
Selected Points	Price Basis		This week 29-Dec-04	Last week 13-Dec-04	Month ago 29-Nov-04	Year ago 29-Dec-03
Corn						
From: US Lake Port	On Board Vessel		105.03	105.03	97.66	126.29
To: Montreal, QC (1)	In-store		124.07	124.07	116.70	145.33
From: Chicago (IL)	Track		103.10	103.10	81.15	128.87
To: Montreal, QC	Track		131.96	131.96	110.01	157.73
From: Chatham, ON	Track		106.33	106.33	98.38	135.43
To: Montreal, QC	Track		130.20	130.20	122.25	159.30
Soymeal 48% Protein						
From: Hamilton, ON			243.61	243.61	231.70	341.70
To: Montreal, QC	Track		267.94	267.94	256.03	366.03
Moncton, NB	Track		286.69	286.69	274.78	384.78
Truro, NS	Track		289.91	289.91	278.00	388.00
Stephenville, NL	Track / Truck via Sydney		338.54	338.54	326.63	436.63

1. Prices include ONE month of storage and interest charges n/a = not available

2. Thunder Bay prices are based on the Winnipeg Commodities Exchange market close (Cash price)

Source: Market Analysis Division, Agriculture and Agri-Food Canada

Contact: Valérie Chartier: A/Statistical Clerk (204) 983-0581 Fax: (204) 983-5524 e-mail: chartier@agr.gc.ca

Footnotes: All prices quoted in Canadian dollars per metric tonne.

Grain grades (unless otherwise specified) are: Canada Western Feed Wheat, Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn.

Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec.

Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable

A. SELLING PRICE OF BULK FEED INGREDIENTS AT SELECTED POINTS

January 10, 2005

SELECTED POINT	REFERENCE PERIOD	PRICE BASIS	WHEAT (1)	OATS	BARLEY	CORN	PRICE BASIS	SOYBEAN MEAL	CANOLA MEAL	MILL FEEDS	MEAT MEAL	FISH MEAL	ANIMAL FAT	GLUTEN MEAL	GLUTEN FEED	FEED PEAS	DEHY ALFALFA	FEATHER MEAL
Vancouver	January 10, 2005	FOB	122.00	N/A	125.00	143.50		267.50	156.00	115.00		850.00	500.00					325.00
BC (4) (7)	January 4, 2005	FOB	122.00	N/A	125.00	145.50		262.00	162.50	112.00		837.50	500.00					325.00
Calgary	January 10, 2005	FOB	104.00	N/A	112.00	138.00		262.00			150.00	975.00	535.00					300.00
AB (4)	January 4, 2005	FOB	104.00	N/A	110.00	140.00		258.00			125.00	975.00	535.00					300.00
Saskatoon	January 10, 2005	FOB	83.50	123.00	91.00	134.00		265.50	N/A		165.00	N/A	535.00					350.00
SK (4)	January 4, 2005	FOB	83.50	123.00	93.50	135.00		266.50	N/A		140.00	535.00						350.00
Winnipeg	January 10, 2005	FOB	126.50	140.00	110.00	120.00		244.00	N/A		290.00	1012.50	515.00					350.00
MB (4) (9)	January 4, 2005	FOB	128.50	140.00	111.00	117.00		245.00	N/A		290.00	972.50	515.00					315.00
Thunder Bay	January 10, 2005	In-Store	102.00	N/A	110.50													
ON (8)	January 4, 2005	In-Store	101.00	N/A	109.95													
Lake Ports	January 10, 2005	On Board				99.11												
USA (3)	January 4, 2005	Vessel				103.82												
Bay Ports	January 10, 2005	In-Store	132.00	205.00	150.00													
ON	January 4, 2005	Track	132.00	205.00	150.00													
Chatham	January 10, 2005					105.49												
ON	January 4, 2005					104.38												
Toronto	January 10, 2005	N/A					FOB				168.00	N/A	460.00	425.00	114.00		265.00	300.00
ON (5)	January 4, 2005	N/A						251.10	#N/A		168.00	N/A	460.00	425.00	114.00		285.00	300.00
Hamilton	January 10, 2005	N/A						242.29	#N/A									
ON	January 4, 2005	FOB				107.50												
Eastern	January 10, 2005	FOB				101.00												
ON	January 4, 2005	FOB																
London	January 10, 2005	FOB																
ON	January 4, 2005	FOB																
Port Colborne	January 10, 2005	FOB									57.50			425.00	114.00			
ON	January 4, 2005	FOB									83.50			425.00	114.00			
Cardinal	January 10, 2005	FOB												425.00	114.00			
ON	January 4, 2005	FOB												425.00	114.00			
Montreal	January 10, 2005		133.00	150.00	149.00	129.00		258.57	177.88	87.33	168.00	850.00	424.00	425.00	114.00		270.00	310.00
QC (5)	January 4, 2005		133.00	125.00	150.00	128.00	FOB	252.70	176.13	96.67	168.00	850.00	413.00	425.00	114.00		270.00	310.00
Trois-Rivieres	January 10, 2005	In-Store	134.00		147.00	133.75												
QC	January 4, 2005		133.50		149.90	131.69												
St. Jean QC (2)	January 10, 2005	FOB	134.99	123.24	140.45	122.68		263.42										
St. Hyacinthe QC	January 4, 2005		150.57	122.40	147.91	122.69		251.19										
Quebec	January 10, 2005	In-Store	131.00	N/A	165.42	128.48		251.72										
QC	January 4, 2005		130.83	N/A	164.63	120.37		251.11										
Turoto	January 10, 2005	Track	156.19		166.48	166.23		279.81	203.63		223.55		505.00					310.00
NS	January 4, 2005	Walter	156.19		166.48	166.53	FOB	280.86	203.63		223.55		505.00					310.00
Turoto	January 10, 2005	8 Truck	N/A	N/A	N/A	N/A												
NS	January 4, 2005	In-Store	N/A	N/A	N/A	N/A												
Halifax	January 10, 2005		N/A	N/A	N/A	N/A												
NS (6)	January 4, 2005		N/A	N/A	N/A	N/A		306.70										

Source: Market Analysis Division, Agriculture and Agri-Food Canada; Thunder Bay prices are based on the Winnipeg Commodity Exchange (WCE) market close
 Contact: Valerie Chattert A/Statistical Clerk Telephone: (204) 983-0581 Fax: (204) 983-5524 Email: chattert_v@agr.gc.ca
 N/A = not available

Footnotes: All prices in Canadian dollars per metric tonne based on survey respondents.

Grain grades (unless otherwise specified) are: Western or Eastern Feed Wheat, Feed Oats, No.1 Canada Western or Eastern Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn, Soybean Meal 48 % Protein, Canola Meal based on minimum standard of 35% Protein. Fish Meal: white fish and/or herring meal. Gluten Meal 60% Protein. Gluten Feed 21% Protein.

(1) Wheat 3CWRS (2) Canadian Corn #3 or #2 (3) US Corn (4) Fish Meal from West Coast 63% Protein (5) Fish Meal 60% Protein (6) Herring Fish Meal (7) Fraser Valley (8) Wheat & Barley (Basis - Cash Price WCE) (9) Oats 3CW

US\$1.00=CAN\$1.2341, closing date January 7, 2005

B. CASH PRICES AND REPLACEMENT VALUES

January 10, 2005

PRAIRIE GRAINS

Selected Points	Price Basis		This week 10-Jan-05	Last week 29-Dec-04	Month ago 13-Dec-04	Year ago 12-Jan-04
From: Thunder Bay(WCE) (2)	In-Store	Wheat	103.00	101.00	100.00	161.00
(CBOT)		Oat	159.40	156.40	154.40	155.00
(Lethbridge)		Barley	113.00	112.00	112.50	129.00
To: Bayport, ON (1)	In-store	Wheat	126.61	124.61	123.61	184.61
		Oat	N/A	N/A	N/A	N/A
		Barley	140.39	139.39	139.89	156.39
Montreal, QC (1)	In-store	Wheat	131.03	129.03	128.03	189.03
		Oat	N/A	N/A	N/A	N/A
		Barley	145.31	144.31	144.81	161.31
Moncton, NB	Truck via Halifax	Wheat	153.25	151.25	150.25	211.25
		Oat	N/A	N/A	N/A	N/A
		Barley	169.50	168.50	169.00	185.50
Truro, NS	Truck via Halifax	Wheat	147.22	145.22	144.22	205.22
		Oat	N/A	N/A	N/A	N/A
		Barley	167.00	166.00	166.50	183.00
Halifax, NS (1)	In-store	Wheat	138.28	136.28	135.28	196.28
		Oat	N/A	N/A	N/A	N/A
		Barley	153.30	152.30	152.80	169.30
Stephenville, NL	Track / Truck via Sydney	Wheat	201.63	199.63	198.63	259.63
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A
Melfort, SK		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Bayport, ON		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Montreal, QC		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Moncton, NB		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track	Barley	N/A	N/A	N/A	N/A
Truro, NS		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
	Track / Truck via Sydney	Barley	N/A	N/A	N/A	N/A
Stephenville, NL		Wheat	N/A	N/A	N/A	N/A
		Oat	N/A	N/A	N/A	N/A
		Barley	N/A	N/A	N/A	N/A

Selected Points	Price Basis		This week 10-Jan-05	Last week 29-Dec-04	Month ago 13-Dec-04	Year ago 12-Jan-04
Corn						
From: US Lake Port	On Board Vessel		98.99	105.31	105.03	126.41
To: Montreal, QC (1)	In-store		118.03	124.35	124.07	145.45
From: Chicago (IL)	Track		104.82	104.82	103.10	128.91
To: Montreal, QC	Track		133.68	133.68	131.96	157.77
From: Chatham, ON	Track		105.49	106.74	106.33	139.25
To: Montreal, QC	Track		129.36	130.61	130.20	163.12

Soymeal 48% Protein

From: Hamilton, ON			251.10	251.10	243.61	319.30
To: Montreal, QC	Track		275.43	275.43	267.94	343.63
Moncton, NB	Track		294.18	294.18	286.69	362.38
Truro, NS	Track		297.40	297.40	289.91	365.60
Stephenville, NL	Track / Truck via Sydney		346.03	346.03	338.54	414.23

- Prices include ONE month of storage and interest charges
- Thunder Bay prices are based on the Winnipeg Commodities Exchange market close (Cash price)

n/a = not available

Source: Market Analysis Division, Agriculture and Agri-Food Canada

Contact: Valérie Chartier: A/Statistical Clerk (204) 983-0581 Fax: (204) 983-5524 e-mail: chartierv@agr.gc.ca

Footnotes: All prices quoted in Canadian dollars per metric tonne.

Grain grades (unless otherwise specified) are: Canada Western Feed Wheat, Feed Oats, No.1 Canada Western Barley, No.2 Canada Yellow Corn, No.3 US Yellow Corn.
Replacement value for grain in-store Montreal can be applied to Sorel, Trois-Rivières and Quebec.

Replacement values reflect quoted cash prices at shipping points plus the full transfer costs including duty and exchange where applicable

CANADA: PULSE AND SPECIAL CROPS SUPPLY AND DISPOSITION

January 14, 2005

Grain and Crop Year (a)	Harvested Area 000 ha	Yield t/ha	Production	Imports (b)	Total Supply	Exports (b)	Total Domestic Use (d)	Carry-out Stocks	Average Price (e) \$/t
----- thousand metric tonnes -----									
Dry Peas									
2001-2002	1,285	1.57	2,023	27	2,245	1,381	589	275	190
2002-2003	1,050	1.30	1,365	41	1,681	628	743	310	210
2003-2004	1,271	1.67	2,124	24	2,458	1,317	936	205	175
2004-2005f	1,345	2.48	3,338	20	3,563	1,800	1,063	700	120-150
2005-2006f	1,355	2.12	2,875	20	3,595	1,850	1,145	600	120-150
Lentils									
2001-2002	664	.85	566	6	828	478	219	131	320
2002-2003	387	.91	354	9	494	320	119	55	390
2003-2004	536	.97	520	5	580	368	174	38	420
2004-2005f	750	1.28	961	5	1,004	550	294	160	300-330
2005-2006f	715	1.17	840	5	1,005	570	245	190	315-345
Dry Beans									
2001-2002	175	1.70	298	42	390	263	97	30	725
2002-2003	219	1.89	414	40	484	297	117	70	445
2003-2004	167	2.13	356	31	457	344	83	30	495
2004-2005f	126	1.75	220	35	285	205	70	10	655-685
2005-2006f	185	1.84	340	30	380	285	75	20	525-555
Chickpeas									
2001-2002	467	.97	455	12	497	146	211	140	380
2002-2003	154	1.01	156	9	305	105	140	60	300
2003-2004	63	1.08	68	2	130	74	36	20	330
2004-2005f	39	1.31	51	5	76	35	36	5	365-395
2005-2006f	50	1.20	60	5	70	35	30	5	370-400
Mustard Seed									
2001-2002	158	.66	105	3	213	171	n/a	33	685
2002-2003	255	.60	154	9	196	114	22	60	595
2003-2004	328	.69	226	2	288	121	75	92	390
2004-2005f	304	1.00	305	2	399	160	84	155	305-335
2005-2006f	230	.80	185	2	342	170	77	95	340-370
Canary Seed									
2001-2002	163	.70	114	0	184	134	20	30	660
2002-2003	227	.78	176	0	206	164	22	20	575
2003-2004	243	.93	226	0	246	170	n/a	67	345
2004-2005f	318	.94	300	0	367	180	47	140	225-255
2005-2006f	260	.94	245	0	385	185	50	150	225-255
Sunflower Seed									
2001-2002	67	1.55	104	29	179	92	65	22	355
2002-2003	95	1.65	157	21	200	105	60	35	440
2003-2004	115	1.30	150	16	201	96	80	25	405
2004-2005f	59	.92	54	25	104	40	59	5	475-505
2005-2006f	95	1.47	140	15	160	80	70	10	410-440
Buckwheat									
2001-2002	14	1.14	16	1	17	6	8	3	325
2002-2003	12	1.00	12	1	16	6	7	3	340
2003-2004	9	1.11	10	1	14	5	7	2	355
2004-2005f	7	.71	5	1	8	2	6	0	340-370
2005-2006f	9	1.00	9	1	10	4	6	0	340-370
Total Pulse And Special Crops (c)									
2001-2002	2,993	1.23	3,681	120	4,553	2,671	1,218	664	
2002-2003	2,399	1.16	2,788	130	3,582	1,739	1,230	613	
2003-2004	2,732	1.35	3,680	81	4,374	2,495	1,400	479	
2004-2005f	2,948	1.78	5,234	93	5,806	2,972	1,659	1,175	
2005-2006f	2,899	1.62	4,694	78	5,947	3,179	1,698	1,070	

(a) August-July crop year.

(b) Excludes products.

(c) Includes Pulse Crops (dry peas, lentils, dry beans, chickpeas) and Special Crops (mustard seed, canary seed, sunflower seed, buckwheat)

(d) Includes food, feed, seed, waste and dockage.

(e) Producer price, FOB plant. Average over all types, grades and markets.

f. forecast, Agriculture and Agri-Food Canada, January 14, 2005

n/a Total domestic use is calculated residually. Based on current data on exports and carry-out stocks, it appears that Statistics Canada's production estimate may be low or carry-out stocks high resulting in a very low residual.

Source: Statistics Canada and industry consultations.



CANADA: PULSE AND SPECIAL CROPS OUTLOOK

January 14, 2005

For 2004-05, total Canadian pulse and special crops production increased by 42%, from 2003-04, to 5.23 million tonnes (Mt), based on Statistics Canada's (STC) November production estimates. Total pulse and special crops supply increased by only 33% to 5.81 Mt, because of lower carry-in stocks. Although exports and domestic use are forecast to increase due to the higher supply, strong demand and lower prices for most crops, carry-out stocks are also expected to increase. Average prices, over all grades and markets, are forecast to increase from 2003-04 for dry beans, chickpeas and sunflower seed, decrease for dry peas, lentils, mustard seed and canary seed, and be the same for buckwheat.

Harvesting of pulse and special crops was much later than normal, but is, in general, complete. Average yields ranged from lower than trend to higher than trend, depending on the crop, but abandonment was generally higher than normal. Yields were much lower than trend and abandonment much higher than normal for dry beans and buckwheat in Manitoba and sunflower seed in Manitoba and Saskatchewan, due to late seeding, below normal temperatures and damage from excessive rainfall, frost and disease. Average quality is, in general, lower than normal due to damage from frost and wet weather. The main factors to watch are exchange rates, ocean shipping rates, and crop and harvest conditions in other major producing countries, especially Australia, India and Pakistan.

DRY PEAS

For 2004-05, production and supply increased, due to a 7% increase in seeded area and higher yields. Production increased for yellow, green and other types. The average quality is significantly lower than in 2003-04. World supply increased by 18% to 12.6 Mt, mainly because of higher production in Canada, EU and US, but this is expected to be mostly offset by increased use in both the feed and food markets. Canadian exports and domestic use are forecast to increase due to the higher supply and lower prices. For exports, most of the increase is expected to be to the EU and Asia. For domestic use, most of the increase is expected for feeding hogs. Carry-out stocks are forecast to increase with a stocks-to-use (s/u) ratio of 24%. The average price, over all types, grades and markets, is forecast to decrease due to the higher supply.

LENTILS

Production and supply increased, due to a 41% increase in seeded area and higher yields. Production increased for large, medium and small green, red and other types. The average quality is significantly lower than in 2003-04. World supply increased by 23% to 3.89 Mt, due mainly to higher production in Canada. Canadian exports are expected to increase, as Canada's share of world supply increases and prices decrease. Carry-out stocks are forecast to increase, with a s/u of 19%. The average price, over all types and grades, is forecast to decrease due to the higher supply and lower average quality.

DRY BEANS

Production and supply decreased sharply, due mainly to crop damage in Manitoba, the main producing province. Production and supply decreased for white pea, pinto, black, light red kidney, Great Northern, small red and pink beans, but was similar to 2003-04 for dark red kidney and cranberry

beans. US production decreased by 22% to 780,000 t, due to a lower harvested area and lower yields. Total US and Canadian supply of nearly all major classes of dry beans decreased. Canadian exports are forecast to fall sharply, due to the lower supply, and carry-out stocks are expected to decrease to a low level. The average price, over all classes and grades, is forecast to rise sharply due to the lower supply.

CHICKPEAS

Production and supply fell, due to a 26% decrease in seeded area and higher abandonment. Production increased marginally for the large and small kabuli types, but decreased for the desi type. However, supply decreased for all types due to lower carry-in stocks. The average quality is significantly lower than in 2003-04. World supply decreased by 4% to 8.4 Mt. Canadian exports are forecast to decrease due to lower supply. Carry-out stocks are forecast to decrease to a low level. The average price, over all types, sizes and grades, is forecast to increase due to the lower supply.

MUSTARD SEED

Production and supply increased as a 7% decrease in seeded area was more than offset by higher yields. Production increased for all types, yellow, brown and oriental. The average quality is significantly lower than in 2003-04 and a significant portion of the carry-in stocks were low quality seed. In the US, production of the yellow type decreased. Canadian exports are expected to increase because of stronger demand and lower prices. Carry-out stocks are forecast to increase, with a s/u ratio of 64%. The average price, over all types and grades, is forecast to decrease due to the higher supply.

CANARY SEED

Production and supply increased, due to a 42% increase in seeded area, higher yields

and higher carry-in stocks. World supply increased by 47% to 410,000 t. Canadian exports are expected to increase because of higher supply and lower prices. Carry-out stocks are forecast to increase, with a stocks-to-use ratio of 62%. The average price is forecast to decrease because of the higher supply.

SUNFLOWER SEED

Production and supply fell sharply, due to a 27% decrease in seeded area, higher abandonment and lower yields. Production decreased for both types, confectionary and oilseed. The average quality is significantly lower than in 2003-04. In the US, harvested area, production and supply decreased for both types. World supply decreased by 4% to 26.7 Mt. Canadian exports and domestic use are forecast to decrease sharply due to the lower supply. The average price, over both types and all grades, is forecast to increase due to the lower supply.

BUCKWHEAT

Production fell sharply due to a slight decrease in seeded area, higher abandonment and lower yields. World supply increased by 10% to 2.95 Mt. Canadian exports and domestic use are forecast to decrease due to the lower supply, while carry-out stocks decrease to a negligible level. The average price, over all grades and markets, is forecast to be the same as in 2003-04, as pressure from higher world supply is offset by lower Canadian supply.

FURTHER INFORMATION:

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CANADA: GRAINS AND OILSEEDS SUPPLY AND DISPOSITION

January 14, 2005

Grain and Crop Year (a)	Harvested Area 000 ha	Yield t/ha	Production	Imports (b)	Total Supply	Exports (c)	Food and Ind. Use (e)	Feed, Waste & Dockage	Total Dom- estic Use (d)	Carry-out Stocks	Average Price (f) \$/t
----- thousand metric tonnes-----											
Durum											
2003-2004	2,459	1.74	4,280	1	5,900	3,427	258	215	683	1,790	224.21
2004-2005f	2,141	2.32	4,962	1	6,753	3,300	260	683	1,153	2,300	197 *
2005-2006f	2,175	2.06	4,490	1	6,791	3,400	265	406	891	2,500	195 f
Wheat Except Durum											
2003-2004	8,009	2.41	19,272	16	23,395	12,299	2,628	3,389	6,824	4,273	206.03
2004-2005f	7,722	2.71	20,898	20	25,191	12,600	2,650	4,302	7,791	4,800	187 *
2005-2006f	8,175	2.43	19,900	15	24,715	13,300	2,675	3,420	6,915	4,500	170 f
ALL WHEAT											
2003-2004	10,467	2.25	23,552	18	29,295	15,726	2,886	3,604	7,507	6,062	
2004-2005f	9,862	2.62	25,860	21	31,943	15,900	2,910	4,985	8,943	7,100	
2005-2006f	10,350	2.36	24,390	16	31,506	16,700	2,940	3,826	7,806	7,000	
Barley											
2003-2004	4,446	2.77	12,328	36	13,838	2,444	311	8,555	9,288	2,106	135.80
2004-2005f	4,050	3.26	13,186	30	15,323	1,850	375	9,443	10,273	3,200	100-120
2005-2006f	4,040	3.01	12,180	30	15,410	2,500	380	9,725	10,510	2,400	110-130
Corn											
2003-2004	1,226	7.82	9,587	2,063	12,761	283	2,415	8,907	11,335	1,143	137.18
2004-2005f	1,072	8.24	8,836	2,100	12,078	150	2,650	8,293	10,978	950	95-115
2005-2006f	1,160	7.67	8,900	2,200	12,050	200	2,700	8,350	11,050	800	105-125
Oats											
2003-2004	1,575	2.34	3,691	19	4,234	1,559	156	1,548	1,875	800	136.65
2004-2005f	1,315	2.80	3,683	20	4,503	1,500	170	1,633	2,003	1,000	110-130
2005-2006f	1,540	2.57	3,960	15	4,975	1,800	170	1,705	2,075	1,100	110-130
Rye											
2003-2004	147	2.22	327	1	358	50	47	193	258	50	104.44
2004-2005f	165	2.53	418	2	470	80	48	245	310	80	75-95
2005-2006f	200	2.15	430	1	511	80	48	266	331	100	75-95
Mixed Grains											
2003-2004	135	2.84	384	0	384	0	0	384	384	0	
2004-2005f	111	2.87	318	0	318	0	0	318	318	0	
2005-2006f	140	2.79	390	0	390	0	0	390	390	0	
TOTAL COARSE GRAINS											
2003-2004	7,529	3.50	26,317	2,119	31,575	4,336	2,930	19,588	23,140	4,099	
2004-2005f	6,713	3.94	26,441	2,152	32,692	3,580	3,243	19,932	23,882	5,230	
2005-2006f	7,080	3.65	25,860	2,246	33,336	4,580	3,298	20,436	24,356	4,400	
Canola											
2003-2004	4,689	1.44	6,771	242	7,907	3,754	3,390	110	3,541	612	387.04
2004-2005f	4,938	1.57	7,728	220	8,560	3,400	3,200	415	3,660	1,500	280-320
2005-2006f	4,890	1.41	6,900	225	8,625	3,400	3,100	630	3,775	1,450	280-320
Flaxseed											
2003-2004	728	1.04	754	22	905	609	n/a	n/a	199	97	382.13
2004-2005f	528	.98	517	20	634	450	n/a	n/a	134	50	475-575
2005-2006f	974	1.23	1,200	20	1,270	700	n/a	n/a	245	325	320-360
Soybeans											
2003-2004	1,047	2.17	2,268	586	2,999	905	1,500	325	1,954	140	395.04
2004-2005f	1,178	2.59	3,048	100	3,288	850	1,500	488	2,088	350	210-250
2005-2006f	1,199	2.50	3,000	250	3,600	900	1,750	490	2,350	350	185-225
TOTAL OILSEEDS											
2003-2004	6,464	1.52	9,794	850	11,811	5,268	n/a	n/a	5,694	849	
2004-2005f	6,643	1.70	11,293	340	12,482	4,700	n/a	n/a	5,882	1,900	
2005-2006f	7,063	1.57	11,100	495	13,495	5,000	n/a	n/a	6,370	2,125	
TOTAL GRAINS AND OILSEEDS											
2003-2004	24,461	2.44	59,663	2,986	72,681	25,330	n/a	n/a	36,341	11,010	
2004-2005f	23,219	2.74	63,595	2,513	77,117	24,180	n/a	n/a	38,707	14,230	
2005-2006f	24,493	2.50	61,350	2,757	78,337	26,280	n/a	n/a	38,532	13,525	

(a) August - July crop year except corn and soybeans which are September - August.

(b) Excludes imports of products.

(c) Includes exports of products for wheat, oats, barley, and rye. Excludes exports of oilseed products.

(d) Total = F&I + FWD + Seed Use

(e) Industrial use excludes flaxseed due to data confidentiality.

(f) Crop year average prices: No.1 CWRS 11.5% protein and No.1 CWAD 11.5% (CWB final price I/S St. Lawrence/Vancouver), Barley (No. 1 feed, WCE, cash, I/S Lethbridge), Corn (No.2 CE, cash, I/S Chatham), Oats (US No. 2 Heavy, CBoT nearby futures); Rye (No.2 Canada, Elevator bids at select western delivery points); Canola (No. 1 Canada, WCE, cash, I/S Vancouver); Flaxseed (No. 1 CW, WCE, cash, I/S Thunder Bay); Soybeans (No. 2, I/S Chatham).

* CWB Pool Return Outlook (PRO) - December 2004

^{1/} Source for Food and Industrial Use is based on data from the Canadian Oilseed Processors Association.

f: forecast - Agriculture and Agri-Food Canada - January 14, 2005

Source: Statistics Canada, Cereals and Oilseeds Review Series, Cat. No. 22-007



CANADA: GRAINS AND OILSEEDS OUTLOOK

January 14, 2005

For 2004-05, total grain and oilseed production in Canada is estimated by Statistics Canada to increase to 63.6 million tonnes (Mt) from 59.7 Mt for 2003-04 and the 10 year average of 58.5 Mt. In western Canada, production is estimated to increase to 48.2 Mt from 44.2 Mt in 2003-04, as a result of a sharp increase in yields despite the abnormally cold growing season. In eastern Canada, production decreased marginally to 15.4 Mt, as the decline in harvested area offset the increase in yields. For 2004-05, total supplies of grains and oilseeds are expected to rise to 77.1 Mt from 72.7 Mt in 2003-04 and compared to the record of 81.4 Mt set in 1999-00.

For 2004-05, total exports of grains and oilseeds are projected to decline to 24.2 Mt from 25.3 Mt for 2003-04, as expected smaller barley and canola exports more than offset the projected rise in wheat exports. Total domestic use of grains and oilseeds is forecast to rise to a record 38.8 Mt due to higher feeding and a slight rise in food and industrial use. Carry-out stocks are projected to increase sharply to 14.2 Mt versus 11.0 Mt in 2003-04 and the record 18.5 Mt set in 1992-93. In general, the quality of the western Canadian crop is sharply below normal, with less than a third of the CWRS wheat falling into the top two grades, and with 66% of the canola expected to be grade No.1. In eastern Canada crop quality is average. For all grains and oilseeds, except flaxseed, prices are forecast to decline sharply, largely due to the bumper crops in the US, the expected large South American production, the appreciation of the Canadian dollar against the US dollar and the slow growth in world consumption. Factors to watch are: Chinese import demand, South American growing conditions, EU grain export policy, the US winter wheat seeded area, ocean freight rates and the Canadian/US exchange rate.

WHEAT (ex-durum)

For 2004-05, production is estimated at 20.9 Mt, 8% higher than 2003-04 and the highest since 1999-00, due to a record 2.71 t/ha (40 bu/ac) average yield. Supplies are forecast at 25.2 Mt, 8% above last year and close to the 10-year average. However, the proportion of the CWRS crop falling into the top grades has been significantly reduced by frost and moisture damage, and over a third of the crop is expected to be of feed quality. Total domestic use of wheat is projected to increase, due to greater use of wheat for feed. Total exports are forecast to increase slightly, with carry-out stocks expected to rise by 12%, 4.8 Mt. It is currently assumed that much of the feed wheat surplus to domestic needs will be delivered to the Canadian Wheat Board (CWB) for export, although a portion is expected to be carried over into 2005-06 due to extremely low feed wheat prices. The CWB Dec. Pool Return Outlook (PRO) for No.1 CWRS 11.5% protein is \$187/t, in-store Vancouver/St. Lawrence (I/S VC/SL), unchanged from last month but down by \$19/t from last year. Protein premiums are expected to increase, due to lower protein content in both the Canadian and US spring wheat crops, with the PRO for No.1 CWRS 13.5% at \$202/t, \$9/t below 2003-04.

DURUM

Production increased by 16%, with higher yields offsetting a smaller area. Supplies are forecast to increase by 10% to 6.75 Mt, vs the 10-year average of 6.3 Mt. However, exports are expected to decline slightly, due to weak world import demand. The percentage of the Canadian durum crop falling into the top grades is expected to be below normal, but supplies of high quality durum are expected to be adequate. Carry-out stocks are projected to increase by almost 30%, to 2.3 Mt, the highest in four years. The CWB PRO for No.1 CWAD 11.5% protein is down by \$3/t from Nov. at \$197/t, I/S VC/SL, \$27/t below 2003-04. The premium to No.1 CWRS 11.5% is projected at \$10/t, down from \$18/t in 2003-04.

BARLEY

Production is estimated to increase by 7% due to higher yields, despite lower seeded area. Supplies are forecast to increase by 11% due to higher production and carry-in stocks. Feed use is projected to increase, due to higher supplies in western Canada and increased shipments to eastern Canada. Exports of malting barley are expected to drop significantly as lower crop quality reduces the selection rates, although import demand from China is projected to recover. Exports of feed barley are also expected to decrease due to competitions from Europe and relatively low overseas prices, despite increased supplies and low prices in Canada. Carry-out stocks are forecast to increase sharply. Off-board feed barley prices are expected to decrease by about \$25/t from 2003-04 to \$110/t, due to increased domestic supplies and lower US corn prices. The CWB Dec. PRO for No.1 CW feed barley is \$117/t and \$110/t, I/S VC/SL, for pool A and B, respectively, compared to \$169.21/t for 2003-04. The PRO for Special Select Two Row designated barley is \$178/t, versus \$200.70/t for 2003-04, due to higher supplies in Europe.

OATS

Production decreased marginally, as higher yields have only partially offset lower harvested area. Supplies are forecast to increase by 6% due to higher carry-in stocks. Exports are expected to decline slightly due to decreased US import demand. As a result of lower US corn prices, oat prices are forecast to fall. US oats are expected to be priced at a premium of 20% to corn on a per tonne basis.

CORN

Production fell by 8%, as lower harvested area more than offset higher yields. Supplies fell by 5% despite marginally higher imports related to lower production in eastern Canada. The feed use of corn is forecast to decline by 7%, as feed wheat and barley replace some of the corn. Carry-out stocks are forecast to decline sharply. Chatham corn prices are forecast to drop to \$105/t, due mainly to record US corn production.

CANOLA

Production increased by 14% from 2003-04, to 7.7 Mt, the second highest on record. Total supplies are forecast to increase by only 8%, due to lower carry-in stocks. Domestic crush is forecast to decline by 6%, to 3.2 Mt, due to lower crush margins and competition from burdensome world veg-oil supplies. Exports are also forecast to decrease by 9%, due to lower shipments to Mexico and Pakistan. Carry-out stocks are forecast to rise sharply from 2003-04 to a burdensome 1.5 Mt. The average Vancouver cash price is forecast to fall to \$280-320/t, as a result of the stronger Canadian dollar and lower US soyoil prices.

FLAXSEED (excluding solin)

Production decreased by 31%, due to lower harvested area and lower yields because of frost and the unusually cold growing seasons. Supplies are forecast to decrease by 30%. Exports are forecast to decrease to 0.45 Mt due to tight supplies. Carry-out stocks are expected to drop from 2003-04 to very tight levels. The average Thunder Bay cash price is forecast to rise to \$475-575/t, on support from tight supplies.

SOYBEANS

Production increased by 34% from 2003-04 to a record high 3.05 Mt, due to an increase in harvested area and sharply higher yields. Supplies are forecast to increase to 3.3 Mt, the third highest on record. Food and industrial use is forecast to remain stable, while exports and carry-out stocks decrease slightly. The average Chatham price is forecast to decrease to \$210-250/t, under pressure from lower US soybean prices and the stronger Canadian dollar.

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stable and carry-out stocks are expected to remain low. The average price, over all types, grades and sizes, is forecast to rise, assuming a higher normal quality.

MUSTARD SEED

World mustard seed trade is dominated by Canada. Canadian seeded area is forecast to decrease by 25% because of burdensome carry-in stocks. Production is forecast to decrease by 39% to 185,000 t, because of the lower seeded area and lower trend yields, but supply is forecast to decrease by only 14%, due to

higher carry-in stocks. Exports are expected to increase and carry-out stocks are forecast to decrease, with an s/u ratio of 38%. The average price, over all types and grades, is forecast to increase due to the lower supply.

CANARY SEED

World canary seed production is expected to decrease by 22% to 265,000 t, mainly because of lower production in Canada, but supply is expected to increase marginally to 415,000 t, due to higher carry-in stocks.

Canadian seeded area is forecast to decrease by 25% because of burdensome carry-in stocks. Production is forecast to fall by 18% to 245,000 t, as the decrease in seeded area is partly offset by lower abandonment. Supply is forecast to increase slightly due to higher carry-in stocks. Exports are expected to increase and carry-out stocks are forecast to increase, with an s/u ratio of 64%. The average price is forecast to remain stable, in line with the relatively stable supply.

SUNFLOWER SEED

World sunflower production and supply are forecast to increase slightly to 25.7 Mt and 26.9 Mt, respectively. US production is expected to increase by 40% to 1.3 Mt and supply is forecast to increase by 26% to 1.37 Mt.

Canadian seeded area is forecast to increase by 15%. Although potential returns are better than for most other crops, many producers are expected to be discouraged by the poor crop in 2004-2005. Production is forecast to nearly triple to 140,000 t, due to the higher seeded area and a return to normal abandonment and higher trend yields. Supply is forecast to increase by only 54% due to lower carry-in stocks. Exports and domestic use are expected to increase. Carry-out stocks are expected to rise slightly, with a s/u of 7%. The average price, over both types and all grades, is forecast to decrease due to the higher supply in US and Canada.

BUCKWHEAT

Canadian production and supply are forecast to increase, but remain small, with a stable seeded area, lower abandonment and higher trend yields. World supply is expected to decrease by 5% to 2.8 Mt. The average price, over all grades and markets, is forecast to be the same as in 2004-2005 as support for lower world supply is offset by higher Canadian supply.

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WORLD: DRY PEAS SUPPLY AND DISPOSITION

<i>crop year</i>	2001 -2002	2002 -2003	2003 -2004	2004 -2005f	2005 -2006f
Harvested Area (kha)	6,350	6,290	6,510	6,760	6,800
Yield (t/ha)	1.66	1.59	1.56	1.80	1.72
.....thousand tonnes.....					
Carry-in Stocks	500	500	500	400	1,200
Production	10,540	10,020	10,170	12,160	11,680
Total Supply	11,040	10,520	10,670	12,560	12,880
Total Use	10,540	10,020	10,270	11,360	11,680
Carry-out Stocks	500	500	400	1,200	1,200

WORLD: LENTILS SUPPLY AND DISPOSITION

<i>crop year</i>	2001 -2002	2002 -2003	2003 -2004	2004 -2005f	2005 -2006f
Harvested Area (kha)	3,955	3,695	3,735	4,075	3,950
Yield (t/ha)	0.79	0.82	0.82	0.93	0.88
.....thousand tonnes.....					
Carry-in Stocks	500	500	100	100	400
Production	3,255	2,905	3,065	3,790	3,490
Total Supply	3,755	3,405	3,165	3,890	3,890
Total Use	3,255	3,305	3,065	3,490	3,540
Carry-out Stocks	500	100	100	400	350

CANADA AND US: DRY BEANS SUPPLY AND DISPOSITION

<i>crop year</i>	2001 -2002	2002 -2003	2003 -2004	2004 -2005f	2005 -2006f
Harvested Area (kha)	702	731	695	602	810
Yield (t/ha)	1.59	2.37	1.95	1.66	1.84
.....thousand tonnes.....					
Carry-in Stocks	324	125	330	300	80
Production	1,113	1,736	1,357	1,000	1,490
Total Supply	1,437	1,861	1,687	1,300	1,570
Total Use	1,312	1,531	1,387	1,220	1,360
Carry-out Stocks	125	330	300	80	210

f: forecast. AAFC, January 2005

Source: FAO, USDA, UNIP, Pulse Australia, Statistics Canada, AAFC

WORLD AND CANADIAN OUTLOOK FOR PULSE AND SPECIAL CROPS IN 2005-2006

For 2005-2006, total area seeded to pulse and special crops in Canada is forecast to decrease by 5%, from 2004-2005, as increases for dry beans, sunflower seed and chickpeas are more than offset by decreases for mustard seed, lentils and canary seed. Seeded areas for dry peas and buckwheat are expected to be similar to 2004-2005. It is assumed that precipitation will be normal for the winter, spring and summer. Trend yields are assumed for both western and eastern Canada, as soil moisture reserves are generally good. It has been assumed that the abandonment rate and average quality will be normal.

Total production in Canada is forecast to decrease by 10%, from 2004-2005, to 4.69 Mt. Total supply is expected to increase by 2% to 5.95 Mt due to higher carry-in stocks. Exports and domestic use are forecast to increase due to the higher supply and stronger demand. Carry-out stocks are expected to decrease. Average prices, over all types, grades and markets, are forecast to increase for lentils, chickpeas and mustard seed, decrease for dry beans and sunflower seed, and be the same for dry peas, canary seed and buckwheat. However, prices are expected to be very sensitive to any production problems. The main factor to watch will be precipitation during the spring and summer in Canada. Other factors to watch are the exchange rates of the Canadian dollar against the US dollar and other currencies, ocean shipping rates and growing conditions in major producing regions, especially United States, European Union, Australia, Turkey, India and Mexico.

DRY PEAS

World production is forecast to decrease by 4%, from 2004-2005, to 11.7 Mt, but supply is expected to increase by 3% to 12.9 Mt.

Canadian seeded area is forecast to be similar to 2004-2005. Although potential returns for dry peas are as good as, or better than for most alternative crops, higher carry-in stocks are expected to discourage increased area. Production is forecast to decrease by 14% to 2.88 Mt due to lower trend yields, but supply is expected to rise slightly due to higher carry-in stocks. Exports and domestic use are forecast to increase due to expected stronger demand. Carry-out stocks are forecast to decrease, with a stocks-to-use ratio (s/u) of 20%.

The pressure from higher supply is expected to be offset by stronger demand. Therefore, the average price of dry peas, over all grades, types and markets, is forecast to be the same as in 2004-2005.

LENTILS

World production is forecast to decrease by 8% to 3.5 Mt, but supply is expected to remain stable at 3.9 Mt.

Canadian seeded area is forecast to decrease by 5%, because of sharply higher carry-in stocks. Production is forecast to decrease by 13% to 840,000 t, due to the decrease in seeded area and lower trend yields. Supply is expected to remain stable as higher carry-in stocks offset the decrease in production. Exports are forecast to increase due to higher demand, but carry-out stocks are also expected to increase, with an s/u of 23%. The average price of lentils over all grades and types is forecast to increase, as pressure from higher world supply is more than offset by a return to higher normal quality.

DRY BEANS

World production is forecast to increase slightly, but total supply is expected to decrease slightly. However, world production includes many classes of dry beans, most of which do not have any influence on prices of the classes of dry beans produced in Canada. The most important influence on Canadian dry bean prices is US production, which is expected to increase by 47% to 1.15 Mt because of higher seeded area and higher yields. However, US supply is expected to increase by only 16% to 1.22 Mt, due to lower carry-in stocks.

Although prices for most classes of dry beans are attractive, Canadian seeded area is forecast to increase by only 15% due to limited seed supply and the discouragement of some producers in Manitoba because of the poor crop in 2004-2005. Production is forecast to increase by 55% to 340,000 t due to the higher seeded area, lower abandonment and higher yields, but supply is forecast to increase by only 33% due to lower carry-in stocks. Exports are expected to increase due to the higher supply. Carry-out stocks are forecast to increase slightly, with an s/u of 6%. The average price, over all classes and grades, is forecast to decrease because of the higher supply.

CHICKPEAS

World production is forecast to increase by 3% to 8.25 Mt, but supply is expected to decrease marginally to 8.35 Mt.

Canadian seeded area is forecast to increase by 15%, as prices for the kabuli type are attractive. Production is forecast to increase by 18% to 60,000 t, because of the higher seeded area and lower abandonment, but supply is expected to decrease slightly due to lower carry-in stocks. Exports are forecast to remain

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WORLD AND CANADIAN OUTLOOK FOR GRAINS AND OILSEEDS IN 2005-2006



World wheat and oilseed prices are expected to decrease in 2005-2006 due to increased supplies, relative to demand, in the world and the United States (US). However, world coarse grain prices are expected to increase, largely due to lower production in the US. For most of the major crops, domestic support programs in the US and the European Union (EU) are expected to continue to encourage production, which will pressure prices.

In western Canada, the area seeded to all wheat is expected to increase slightly as higher area seeded to spring wheat more-than offsets lower winter wheat area. The area seeded to coarse grains is expected to decrease slightly as lower barley and rye area more-than offsets higher oats area. The area seeded to oilseeds is expected to decrease marginally as lower canola area more-than offsets higher area seeded to flaxseed. Summerfallow area is expected to continue to decrease. In eastern Canada, marginal increases in the area seeded to corn and soybeans are expected to more-than offset lower area seeded to wheat.

Total Canadian production of grains and oilseeds is expected to decrease from about 64 million tonnes (Mt) to 61 Mt, largely due to lower expected yields in western Canada. Total exports of grains and oilseeds are projected to increase. Prices for wheat, durum and soybeans are expected to decrease, partly due to appreciation of the Canadian dollar relative to the US dollar, while coarse grain prices are generally expected to increase slightly.

The market outlook is tentative due to the high degree of uncertainty regarding global supply and demand conditions. Normal weather patterns have been assumed. Unusual weather conditions in any of the major importing or exporting countries could significantly alter the outlook. Exchange rates and ocean freight rates will be factors to watch in 2005-2006.

WHEAT

World wheat (including durum) area harvested for 2005-2006 is forecast by Agriculture and Agri-Food Canada (AAFC) to be relatively unchanged at 217 million hectares (Mha), close to the 5-year average, with a higher area in Canada, Australia, Ukraine and Iran offset by reduced area in the EU-25, Pakistan and India. Assuming normal growing conditions and average yields, production is forecast to decline by 8 Mt from the record 621 Mt produced in 2004-2005, to 613 Mt, largely due to lower yields in the EU-25 and Canada, from the above-normal crops of 2004-2005. Supplies will increase slightly, with higher carry-in stocks more than offsetting the lower production.

World wheat consumption is projected to decrease slightly from 2004-2005, mainly due to reduced feed use. Human food use of wheat is expected to be slightly above the 5-year average at 495 Mt,

while the use of wheat for animal feed is expected to decline by 2%, to about 107 Mt, due to reduced production of lower-quality wheat. World trade is expected to decrease marginally, to 105 Mt, versus the 5-year average of 109 Mt. Increased imports by China are expected to be offset by reduced imports in a number of other importing countries. World carry-out stocks are projected to increase by 7%, to 156 Mt, but remain well below the 5-year average of 183 Mt. Major exporter stocks, however, are forecast to rise by 8%, to 52 Mt, the highest since 2001-2002.

US winter wheat seeded area has decreased by 4% for 2005-2006, to 16.8 Mha, with most of the decline in soft red winter (SRW) wheat, due to wet seeding conditions that prevented all area from being planted. SRW wheat area is down by 19%, while hard red winter (HRW) is down by 1%, with soft white winter wheat 4% higher than last year. The seeded area of spring wheat

is forecast by AAFC to rise marginally, while durum area is expected to decline by 3%. Program payments under the Farm Security and Rural Investment Act (FSRIA) are expected to support higher area. Assuming normal abandonment, harvested area of all wheat is forecast to decrease by 2%, to 19.9 Mha. Production is forecast by AAFC to decrease marginally, to 58 Mt {about 2.13 billion bushels (Gbu)}, assuming a trend yield of 43 bushels per acre (bu/ac). The SRW and HRW wheat crops are currently in above average condition, and above-trend yields are a possibility. Total wheat supplies are expected to increase marginally due to higher carry-in stocks.

EU-25 wheat production is forecast to fall by 5% from the record 2004-2005 crop, to 129 Mt, but remain well above the 5-year average of 121 Mt. Carry-in stocks are forecast to more than double, to 19.3 Mt. Exports are forecast to increase slightly, due to reduced export

competition, particularly from US SRW wheat, and the reintroduction of export subsidies. EU wheat carry-out stocks are expected to increase by 9%, to 21 Mt, the highest since the early 1990s.

DURUM

World

Durum production is forecast to decline by 8%, to 37 Mt, with decreased production in all major exporting countries, particularly Canada and the EU-25. Changes to durum payments under the new EU Common Agriculture Policy are expected to discourage durum production. Production in North Africa, the major durum importing region, is expected to decline by about 1 Mt, although that crop is currently in very good condition. The decreased production will be partly offset by higher major-exporter carry-in stocks, and world supplies (including major-exporter stocks only) are expected to be down by 4% at 41 Mt. Trade is forecast to increase by 10%, to 6.8 Mt, assuming a return to lower normal yields and increased import demand from North Africa, the major durum importing region. Carry-out stocks in the major exporting countries are forecast to fall by 14%, to 3.8 Mt.

PRICES: WHEAT AND DURUM

Although world wheat stocks are expected to rise only slightly, stocks in the five major wheat exporting countries, Canada, the US, the EU, Australia and Argentina, are forecast to increase by 8% by the end of 2005-2006. EU carry-out stocks are expected to rise by 9% to 21 Mt. US stocks are forecast to increase by 7% to about 17 Mt, and the US stock-to-use ratio will rise to 29%, from 27% in 2004-2005. As a result, world wheat prices are expected to decline in 2005-2006.

US Hard Winter Ordinary (HWO) wheat prices, free on board (FOB) US Gulf, are forecast to decline to about US\$140-150 per tonne (t) for 2005-2006 (for the Canadian August-July crop year), compared to an estimated US\$150-160/t for 2004-2005, and US\$161/t in 2003-2004. The price for US Dark Northern Spring wheat with 14% protein (DNS 14), FOB Pacific Northwest, is forecast at US\$160-170/t, down by about US\$10/t from 2004-2005. Premiums for spring wheat on the Minneapolis Grain Exchange versus HRW wheat on the Kansas City Board of Trade are forecast to be similar to 2004-2005, with a decrease in US and Canadian spring wheat production offset by improved quality in the Canadian CWRS crop. Protein premiums are expected to decline, assuming a return to normal protein levels in the US and Canadian spring wheat crops from the below-normal levels of 2004-2005. High protein Canada Western Red Spring (CWRS) wheat is generally priced competitively with US DNS 14 wheat, while lower protein CWRS and Canada Prairie Spring (CPS) wheat are usually priced competitively with US HWO.

World durum prices are expected to decline only slightly in 2005-2006, with the premium to common wheat rising due to lower stocks in the major exporting countries. Supplies in the major exporting countries are expected to fall by 6%, to 20 Mt, versus the 5-year average of 19 Mt. World import demand is expected to increase, assuming decreased production in North Africa and the EU. The US No.3 Hard Amber Durum (HAD) price, FOB Gulf, is forecast at US\$180-190/t (August-July), versus US\$185-195/t in 2004-2005.

Export subsidies may become a factor in the world wheat market in 2005-2006. The US is expected to only use credit

and food aid programs to stimulate exports, with loan deficiency payments (LDP) used to support farm prices. However, due to rising stocks, the EU is expected to reintroduce export subsidies. The value of the euro against the US dollar and crop conditions in the spring of 2005 will be major factors in determining the need for export subsidies.

Continuing high ocean freight rates will tend to dampen demand in importing countries, and give an advantage to exporters located closer to the major import markets.

CANADA

Non-durum wheat seeded area is expected to increase by 4% in 2005, due to relatively better expected wheat prices and low stocks compared to canola. Production is forecast to decrease by 5%, however, to 19.9 Mt, assuming a return to a lower trend yield of 36 bu/ac. The smaller production will be partly offset by higher carry-in stocks, and supplies are forecast to be down only 2%. Domestic use is projected to decrease by over 10%, due to less feed use, assuming a return to a normal quality in the 2005 crop. Exports are forecast to increase by 6%, to 13.3 Mt, due to increased supplies of good quality CWRS wheat. Carry-out stocks are projected to decline by 6% to 4.5 Mt.

Durum seeded area is projected to be relatively unchanged, as large stocks and poor delivery opportunities offset the somewhat more attractive expected price compared to CWRS wheat. Assuming lower yields, production is forecast to fall by 10%, to 4.5 Mt. This will be more than offset by higher carry-in stocks, and supplies are forecast to rise marginally, to 6.8 Mt, the highest since 2000-2001. Exports are projected to rise by 3%, to 3.4 Mt, due to slightly stronger world import demand. Carry-out stocks are forecast to rise by a further 9%, to 2.5 Mt.

CANADIAN WHEAT BOARD: FINAL REALIZED WHEAT PRICES



Source: CWB final pool returns

1: S VC/TB to 1994-1995; 1: S VC/SL 1995-1996 to date.

p: CWB PRO, December 2004; f: forecast, AAFC, January 2005

Canadian Wheat Board pool returns are forecast to decline due to the lower world prices and an expected appreciation of the Canadian dollar. Returns for No.1 CWRS wheat with 11.5% protein are forecast to decline by 9% from 2004-2005, to \$170/t in-store Vancouver or St. Lawrence. Due to lower expected protein premiums, pool returns for No.1 CWRS 13.5% are expected to fall by 11%, to \$180/t. Durum pool returns are projected to decline only slightly, with No.1 CWAD 11.5% at \$195/t, \$2/t lower than in 2004-2005, and with the premium over No.1 CWRS 11.5% rising to \$27/t, from \$10/t in 2004-2005.

Ontario winter wheat seeded area has declined by 5%, to 0.3 Mha, due to lower wheat prices and a late soybean harvest. Production is forecast by AAFC to decline by 5%, to 1.4 Mt, with exports down marginally at 0.5 Mt in 2005-2006.

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COARSE GRAINS

World coarse grains production in 2005-2006 is forecast to decrease by 2% from 2004-2005 due to lower corn production in the US, decreased barley production in the EU-25 and less coarse grains production in Ukraine, although production is expected to increase in China and Australia. Supply is projected to increase marginally as lower production is more than offset by higher carry-in stocks. World consumption is forecast to continue the upward trend, driven by strong demand for animal feed and industrial use. World trade is

expected to increase marginally due to higher import demand from the developing economies and the EU, and more adequate export supplies in Australia and Canada.

Corn

For US corn, area seeded is expected to increase from 81 million acres (Mac) in 2004-2005 to 82 Mac because of higher expected returns from corn, compared to other crops. Average yields are projected to return to trend level of 145 bu/ac, from the new record of 160 bu/ac set in 2004-2005. Production is, therefore, forecast to decrease by 8% to 10.8 Gbu. Total supplies are expected to increase slightly due to higher carry-in stocks. Domestic use is forecast to decline marginally, as decreased demand for animal feed more than offsets increased use in ethanol production. Exports are forecast to decrease slightly, to 1.90 Gbu, from 1.95 Gbu estimated for 2004-2005, due mainly to stronger competition from other major exporters, including China, in Asian markets. Carry-out stocks are expected to decline slightly to 1.93 Gbu. Program payments under the FSRIA are expected to continue to support corn

production, although farm prices are forecast at US\$2.00/bu, above the loan rate of US\$1.95/bu.

In China, corn production is forecast to continue to increase from 2004-2005. High productivity and strong domestic prices have been boosting returns from corn and drawing more area seeded to corn, at the expense of wheat and other crops. Total supplies are expected to continue the downward trend, but at a slower pace. Domestic use is forecast to increase further as a result of increasing demand for hog and poultry feed and the ethanol production in Northeast and Northern China. More adequate domestic supplies and higher expected export prices are expected to encourage China's corn export programs, which are solely implemented by COFCO and Jilin Grain Group. Corn exports are therefore projected to increase from 4.1 Mt in 2004-2005 to 4.5 Mt, but still significantly lower than the record of 15.3 Mt set in 2002-03. The major markets for China are concentrated in the neighbouring Asian countries, especially South Korea. Meanwhile, China is likely to increase its corn imports from 0.2 Mt in 2004-2005. It makes more sense to source corn from

WORLD: GRAINS AND OILSEEDS SUPPLY AND DISPOSITION

	Area (Mha)	Yield (t/ha)	Production	Total Supply	Trade	Use	Carry-out Stocks	Stocks-to- use Ratio	World Prices ^{1/}
			.....	million tonnes.....	.....	.....		(%)	(US\$/t)
WHEAT									
2001-2002	215	2.70	581	787	111	585	202	34	127
2002-2003	214	2.65	567	769	110	601	168	28	161
2003-2004	211	2.62	553	720	106	589	131	22	159
2004-2005e	217	2.86	621	752	107	607	145	24	150-160
2005-2006f	217	2.83	613	758	105	602	156	26	140-150
COARSE GRAINS									
2001-2002	301	2.96	891	1099	102	905	195	22	94
2002-2003	292	2.98	872	1067	105	901	166	18	109
2003-2004	303	2.99	906	1072	102	942	132	14	116
2004-2005e	302	3.30	996	1128	101	969	159	16	90-100
2005-2006f	315	3.10	977	1135	102	985	150	15	95-105
OILSEEDS ^{2/}									
2001-2002	193	1.68	325	363	63	326	39	12	174
2002-2003	193	1.71	330	369	71	324	45	14	232
2003-2004	191	1.76	337	382	67	339	43	13	294
2004-2005e	213	1.83	390	403	74	337	66	20	186
2005-2006f	219	1.80	394	460	77	389	71	18	175

Note: numbers may not add due to rounding

^{1/} Wheat: Hard Winter Ordinary, US Gulf; June-May crop year.

Coarse Grains: US Gulf No.3 Yellow Corn; September-August crop year.

Oilseeds: Chicago Cash No.1 Yellow Soybeans; September-August crop year.

^{2/} The 8 major oilseeds are soybeans, cottonseed, peanuts (whole), sunflowerseed, canola/rapeseed, copra, palm kernels and flaxseed.

e: estimate; USDA (FAS)-January 2005 and AAFC; f: forecast, AAFC, January 2005.

Source: USDA, Oil World

overseas to serve the fast growing Southern and Eastern China markets, given the tightening rail car supplies and skyrocketing freight rates. Carry-out stocks are forecast to continue to decline, but at a slower pace.

Barley

World barley production is expected to decrease from 151 Mt in 2004-2005 to 145 Mt, as lower production in Europe and North America more than offsets higher production in Australia. After two consecutive years of good harvesting, barley production in North Africa is expected to decrease. World barley supplies are projected to remain virtually unchanged from 2004-2005 at 172 Mt, as larger carry-in stocks offset lower production. However, world trade is forecast to decrease slightly due mainly to reduced exportable supplies in Europe. Strong import demand for feed barley in the Middle East and North Africa and higher import demand for malting barley in China and, to a lesser degree, in the US are expected to drive world barley prices up. Government water conservative programs in Saudi Arabia are expected to reduce irrigation of locally grown forage crops. This could have the potential of raising Saudi's barley imports further. World carry-out stocks are expected to drop by 1 Mt from 2004-2005.

In **Europe**, barley production in the EU-25 is expected to decrease by 9% to 56 Mt due to a return of yields from 2004-2005's record high to a more normal level and decreased area seeded to barley. Barley production in the FSU and eastern Europe is forecast to drop slightly, from 37.2 Mt in 2004-2005 to 35.5 Mt. Lower production in Europe is expected to more than offset higher carry-in stocks of 13.2 Mt for 2005-2006 versus 8.3 Mt for 2004-2005. As a result, barley supplies in Europe are forecast to decrease. Demand in Europe is expected to remain at levels close to 2004-2005. In world feed barley market, the EU-25 and, to a lesser degree, the Black Sea countries are expected to face intensive competition in the Middle East and North African markets and exports from the EU are forecast to decrease. In the malting barley market, the EU's export share is expected to drop significantly, as the size and quality of the malting barley crop in Australia and Canada return to more normal levels. EU export subsidies for barley are expected to play a more important role for EU to compete with other exporters, especially Ukraine and Russia.

In **Australia**, barley production is expected to increase to 8 Mt from 6.2 Mt estimated by the Australian Bureau of

Agricultural and Resource Economics for the drought-affected 2004-2005. With steady growth in domestic demand for animal feed and industrial use, barley exports from Australia are projected to recover partially from 2004-2005, to 4.5 Mt, in comparison to 3.2 Mt estimated for 2004-2005 and the five year average of 3.9 Mt. Increased exportable supplies in Australia are expected to depress world barley prices in 2005-2006.

PRICES

The average farm price for **US corn** is forecast to increase to about US\$2.00/bu, compared to the current United States Department of Agriculture forecast of US\$1.95/bu for 2004-2005. The nearby Chicago futures price is expected to increase to US\$2.20/bu from US\$2.15/bu expected for 2004-2005. This will cause US Gulf and Pacific Northwest (PNW) corn prices to increase and will support international coarse grain prices in general. The average LDP to-date on corn for 2004-2005 has increased to US\$0.29/bu on nearly 50% of the crop from US\$0.05/bu on 8.6% of the crop for 2004-2005. For 2005-2006, LDPs are expected to be lower than in 2004-2005, but remain high, historically. The average **US PNW feed barley** price is forecast to increase to US\$120/t from US\$115/t forecast for 2004-2005. EU barley prices are expected to rise to US\$135/t from US\$130/t estimated for 2004-2005, as decreased production in both the EU-25 and the Black Sea countries puts less pressure on prices in Europe. Prices in Australia are forecast to decrease from 2004-2005 as a result of higher production.

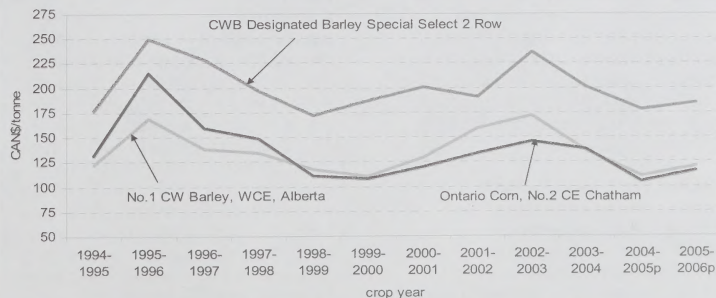
CANADA

Area harvested for coarse grains is expected to increase by 5% from 2004-2005 as abandonment rates decrease to more normal levels despite lower seeded

area. Production is forecast to decrease by about 2% to 25.9 Mt due to lower yields, while total supplies are expected to increase by 2% as a result of significantly higher carry-in stocks. Domestic consumption is projected to rise by 2% due mainly to higher feed use for coarse grains, in replacement of wheat. Exports are forecast to increase significantly as a result of stronger import demand and improvement in crop quality. Carry-out stocks are expected to decline sharply, from 5.2 Mt in 2004-2005 to 4.4 Mt.

For **barley**, Canadian production is forecast to decrease by 8% from 2004-2005. Farmers are expected to reduce area seeded to barley by 4% due to large carry-in stocks and low expected prices, relative to other grains and oil seeds. Average yields are expected to decrease from 3.3 t/ha to about 3.0 t/ha. Supplies are projected to increase from 2004-2005 to 15.4 Mt, as large carry-in stocks more than offset lower production. Domestic use of feed barley, mainly in western Canada, is expected to rise from 2004-2005 due to increased supplies of barley and less availability of feed wheat. Imports of US corn, mainly destined for eastern Canada, are forecast to increase slightly from 2004-2005, but still significantly lower than the average for the last five years. Exports of feed barley are projected to remain low, due to stronger domestic demand, lower overseas prices and more competition in major importing markets. The quality of the 2004-2005 barley crops is much below normal and the selection rate for malting barley is estimated to have dropped sharply, due to sprout and frost damage and high screenings. Exports of malting barley for 2005-2006 are expected to increase to 1.1 Mt from an estimated 0.6 Mt in 2004-2005. Import demand is expected to improve in the US for six-row designated barley and remain strong in China for two-row varieties.

CANADA: BARLEY AND CORN PRICES



p: CWB PRO, December 2004 for Designated barley;
f: forecast, AAFC, January 2005 for WCE barley and Ontario corn
Source: Canadian Wheat Board, Ontario Ministry of Agriculture and Food

Carry-out stocks are expected to fall to 2.4 Mt, from 3.2 Mt in 2004-2005.

Off-Board feed barley prices are forecast to average \$120/t (l/s Lethbridge), \$10/t higher than for 2004-2005, as a result of stronger domestic demand for feed and larger barley exports. Higher US farm prices for corn are also expected to support feed barley prices in western Canada. For Pool A, the 2005-2006 CWB final pool return for No.1 CW feed barley is forecast by AAFC at \$125/t, compared to the Dec. 2004 PRO of \$117/t l/s VC/SL for 2004-2005. The pool return for Special Select Two-Row designated barley is forecast to increase to \$185/t from \$178/t for 2004-2005. The pool return for Special Select Six-Row designated barley is projected to increase to \$172/t from \$162/t for 2004-2005. The discount for six-row malting barley over two-row is expected to be lower than in 2004-2005 as two-row prices are pressured more by overseas competition than six-row prices by competition in North America.

For **oats**, Canadian production is forecast to increase by 7% from 2004-2005, to 4.0 Mt. Exports are forecast to increase as a result of higher exportable supplies, more normal crop quality in Canada and stronger import demand from the US. Carry-out stocks are projected to increase from 2004-2005 and remain high historically. The average oat price in western Canada is expected to remain unchanged from 2004-2005 at \$130/t. US production is expected to decline slightly from 2004-2005, consistent with the long-term trend. However, total US supplies are projected to decrease by 8% from 2004-2005 as a result of lower carry-in stocks and a smaller crop. Production in the EU is forecast to increase slightly from 2004-2005. Export subsidies could be higher than in 2004-2005, due to a larger oat crop in both Canada and Scandinavia, a strong Euro and high ocean freight rates. Chicago futures prices are expected to increase marginally from 2004-2005 to US\$1.60/bu in 2005-2006, suggesting an average on-farm price of about \$120/t in Manitoba and \$105/t in Saskatchewan. Oats are expected to be priced competitively with US corn and the spread between CBOT corn and oats, on a per tonne basis, is forecast at US\$20/t, in favour of oats.

For **corn**, Canadian production is forecast to be marginally higher than 2004-2005. Area seeded to corn is projected virtually unchanged from 2004-2005. However, harvested area is expected to increase by 8%, based on trend retention rates. Yields are expected to decrease by 7%, from 131

bu/ac in 2004-2005 to 122bu/ac. Total supplies are forecast to decrease slightly, due to lower carry-in stocks. Corn imports from the US are forecast to increase from 2.1 Mt estimated for 2004-2005 to 2.2 Mt, with 1.75 Mt for eastern Canada and 0.45 Mt for western Canada. Domestic use is expected to increase marginally from 2004-2005. The Chatham elevator corn price is forecast to average \$115/t, \$10 higher than estimated for 2004-2005, due to higher US prices, despite a stronger Canadian dollar. The Chatham-Chicago basis is forecast to strengthen from 2004-2005 when the spread has been pressured by record US production.

For **rye**, production is forecast to increase by 3% from 2004-2005 to 0.43 Mt. Although area seeded to rye is expected to decrease sharply, area harvested for grain is projected to increase significantly. Yields are expected to drop from 40bu/ac to trend level of 34bu/ac. Feed use is forecast to increase, due to increased supplies, while industrial use and exports are forecast to remain unchanged from 2004-2005. The on-farm price for rye is forecast at \$75-95/t across the Prairies, similar to 2004-2005, based on the general trend for coarse grain prices in Canada. Rye is usually priced competitively with barley based on its feed value; however, some premiums are expected to be offered for rye in Manitoba, and perhaps Alberta, to attract quality supplies for the food market.

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OILSEEDS

World production of the eight major oilseeds is forecast to increase slightly from 2004-2005 to a record 394 Mt in 2005-2006. This is due largely to higher soybean plantings in South America, and a continuation of high supplies in the US. Oilseed use is forecast at a record 389 Mt, on support from increased vegoil and protein meal consumption in China and India. Trade is expected to rise to 77 Mt, with forecast carry-out stocks at 71 Mt, up from 66 Mt in 2004-2005.

World demand for oilseeds and oilseed products is expected to continue growing and in the process setting new records on support from increased world demand for protein and fats. Vegetable oils (vegoils) are the major source of dietary fats for humans with worldwide

per capita consumption expected to be about 20 kilograms per year.

World **soybean** production is forecast to increase marginally to 232 Mt from the 231 Mt expected for 2004-2005. World soybean crush is forecast at a record 185 Mt, as China and Brazil continue to expand processing capacity. China's soybean crush, forecast at 30 Mt for 2005-2006, has increased sharply during the past five years but future expansion is expected to slow down due to pressured crush margins. World soybean carry-out stocks are forecast to decrease slightly to 58 Mt.

In the US, soybean production is expected to fall to about 3 Gbu, as yields return to normal, although the impact of the recently discovered Asian Rust Fungus remains unknown. Seeded area is expected to be marginally lower, due to low market prices compared to corn and wheat, uncertainty over disease and burdensome carry-in stocks. As a result, US soybean supplies are expected to increase, which will pressure world prices. US soybean exports are expected to increase marginally due to high supplies and the weak US dollar.

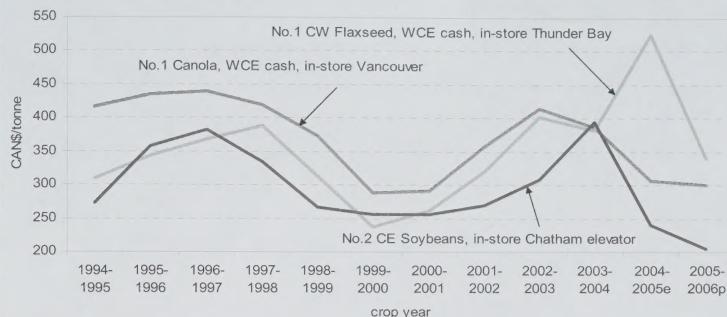
In South America, Brazil, Argentina and Paraguay are expected to continue to increase the area seeded to soybeans, which will be harvested from March to May, slightly ahead of the North American seeding period. The combined soybean production of Brazil and Argentina is expected to be about 35% above that of the US.

Chinese import demand is expected to rise marginally to about 23 Mt. Concurrently, continued high ocean freight rates are expected to pressure South American exports of soybeans due to its greater distance from the European and Asian markets.

World **canola/rapeseed** production is forecast to decrease by 5%, to 41 Mt due to an expected decrease in area in Canada and Australia as a result of lower returns per hectare compared to wheat or special crops. World trade is expected to remain unchanged at about 6 Mt largely due to slightly higher Canadian exports. Total world canola/rapeseed crush is forecast to rise to 40 Mt in 2005-2006 despite weaker than normal crush margins. Carry-out stocks are expected to fall marginally to 2.5 Mt.

World **flaxseed** production is forecast to increase, largely due to higher production in Canada, which is the largest producer and exporter of flaxseed. Area seeded is forecast to increase significantly in Canada, in response to sharply higher

CANADA: OILSEED PRICES



e: estimate, AAFC, January 2005

f: forecast, AAFC, January 2005

Source: Winnipeg Commodity Exchange and Ontario Soybean Growers

prices in 2004-2005, and average yields are expected to increase, assuming normal growing conditions in 2005-2006.

PROTEIN MEAL AND EDIBLE OIL

Soymeal production, which represents 70% of world protein meal production, is forecast to increase to 144 Mt from 142 Mt in 2004-2005, due to higher crush in the US, Brazil, Argentina and China. Demand for soymeal is expected to increase on support from the ongoing ban on animal meal in US livestock rations, the growth in Asian industrial livestock and aquaculture production, the devaluation of the US dollar against the Euro and possibly the Chinese renminbi. However, soymeal prices are expected to decline slightly from the already low 2004-2005 level.

Edible oil production is forecast to increase to 108 Mt from 106 Mt in 2004-2005, due to slightly higher palm oil production and increased soybean and canola/rapeseed crushing. Demand for edible oils is expected to remain strong, particularly in China and India. Chinese demand for vegoils is forecast to grow slightly and will be met through increased crush and increased oilseed, palm oil, soyoil and canola/rape oil imports.

Palm oil production in Malaysia is expected to grow at a moderate pace due to the maturation of the palm oil trees and a slowdown in the planting and replanting of palm trees, which will be supportive for vegoil prices.

US PRICES

The US on-farm price of soybeans is forecast to fall to US\$4.85/bu from

US\$5.10/bu for 2004-2005, due to the expected growth in US supplies and record high South American production. Soymeal prices are forecast to increase, although still remaining weak, to US\$175/short ton (st) from US\$158/st in 2004-2005. World vegoil prices are expected to remain weak. The US soyoil price is forecast to average US\$0.22 per pound (/lb) vs. US\$0.225/lb for 2004-2005. For 2005-2006, US program payouts are expected to increase as prices remain below the US\$5.80/bu target price and US\$5.00/bu loan rate.

CANADA

For **canola**, seeded area is forecast to decrease by 1% to 5.0 Mha due to low prices relative to wheat. Production is forecast to decline to 6.9 Mt from 7.7 Mt in 2004-2005. Supplies are projected to rise slightly, as the second largest carry-in on record more than offsets the lower production. Domestic crush is forecast to decrease slightly while exports are expected to be unchanged due to competition from burdensome world supplies. Carry-out stocks are expected to decrease marginally to 1.45 Mt, while prices are forecast to remain unchanged at \$300/t.

For **flaxseed**, seeded area is forecast to increase by 37% due to high prices in 2004-2005. As a result of higher yields, production is forecast to increase significantly to 1.2 Mt from 0.5 Mt in 2004-2005. Supplies are projected to rise to 1.3 Mt. Exports are expected to rise to 0.7 Mt, while total domestic use increases. Carry-out stocks are expected to rise sharply to 0.3 Mt from 0.05 Mt in 2004-2005, with prices

forecast to fall to \$340/t from \$525/t expected for 2004-2005.

For **soybeans**, seeded area is forecast to increase to a record large 1.2 Mha due to better expected financial returns compared to wheat and lower input costs than for corn. Average yields are expected to return to normal and production is forecast to decrease to 3.0 Mt, from the record 3.05 Mt in 2004-2005. Supplies are expected to increase. Exports are expected to increase to 0.9 Mt. Domestic processing is forecast to remain stable at a near record high pace because of ample supplies and reasonable crush margins. Prices are expected to decline to \$205/t, I/S Chatham, from \$230/t expected for 2004-2005, due to lower US soybean prices.

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